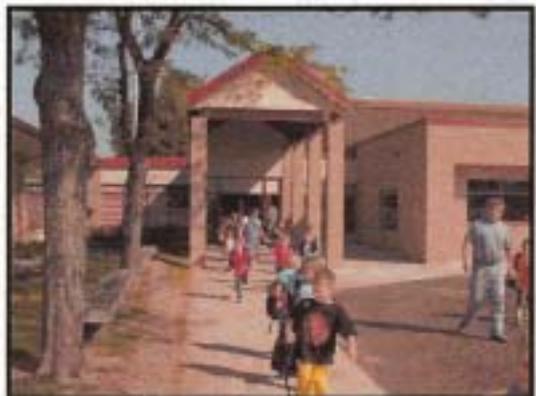


*School District of the
City of Bay City*

910 N. Walnut Street

Bay City, Michigan 48706

***COMPREHENSIVE
ANNUAL FINANCIAL
REPORT***



for the fiscal year ended

June 30, 2005

School District of the City of Bay City

910 N. Walnut Street
Bay City, Michigan 48706

COMPREHENSIVE ANNUAL FINANCIAL REPORT for the fiscal year ended June 30, 2005

Board of Education

Marie McFarland
President

Kenneth M. Malkin
Vice-President

Amy Doornhaag
Secretary

Pauline Helmling
Treasurer

Joel F. Bosco
Trustee

Ben Gibson
Trustee

Patrick O'Shea
Trustee

Carolyn Wierda
Superintendent

Prepared by
Finance & Accounting Department

Douglas L. Newcombe, CPA, MBA
Director of Finance & Accounting

Sarah E. DuFresne, CPA, BSBA
Assistant Director of
Finance & Accounting

Bay City Public Schools

Statement of Mission

STAFF... STUDENTS... SUCCESS

It is our mission to provide each student with the knowledge, attitudes and skills necessary to assure success.

To address this mission, the Bay City Public School District will:

- ❑ Provide a safe, stimulating and supportive learning environment**
- ❑ Teach students academic, social and personal coping skills**
- ❑ Nurture personal responsibility and respect for others**
- ❑ Actively engage family, community members and staff in the learning process**
- ❑ Continually challenge staff and students to excel**

Bay City Public Schools

Statement of Vision

STAFF... STUDENTS... SUCCESS

It is our Vision for all students and staff to achieve personal and academic success.

In pursuit of this Vision, the Bay City Public School District will:

- Support individual learning needs**
- Foster high expectations, accountability, compassion and respect**
- Encourage growth and risk taking in an empowering environment**
- Become a high achieving district earning state and national recognition**
- Foster life-long learning**
- Establish a value for public service and commitment to community**

SCHOOL DISTRICT OF THE CITY OF BAY CITY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR FISCAL YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

INTRODUCTORY SECTION:	
Letter of Transmittal	i
District School Board	vii
Organizational Chart	viii
FINANCIAL SECTION:	
Report of Independent Auditors	1
Administration's Discussion and Analysis	3
Basic Financial Statements	
District-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements:	
Governmental Funds Balance Sheet	19
Reconciliation of the Governmental Funds Balance Sheet to the District-Wide Statement of Net Assets	20
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the District-Wide Statement of Activities	22
Fiduciary Funds:	
Statement of Fiduciary Net Assets	23
Statement of Changes in Fiduciary Net Assets	23
Notes to the Financial Statements	24
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	42
Other Supplemental Information	
General Fund:	
Statement of Revenues – Budget and Actual	43
Statement of Expenditures and Other Financing Uses – Budget and Actual	44
Special Revenue Funds:	
Combining Balance Sheet – All Special Revenue Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – All Special Revenue Funds	49

Debt Service Funds:	
Combining Balance Sheet – All Debt Service Funds	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – All Debt Service Funds	52
Capital Projects Funds:	
Combining Balance Sheet – All Capital Projects Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – All Capital Projects Funds	55
Student Activity Agency Fund:	
Statement of Receipts, Disbursements and Changes in Assets and Liabilities	56

STATISTICAL SECTION (UNAUDITED):

General Fund Summaries:	
General Fund Revenue by Source	57
General Fund Expenditures by Function	59
Property Tax Summaries:	
Property Tax Data – Property Tax Rates (Mills)	61
Property Tax Data – Property Tax Levies and Collections	63
Property Tax Data – Property Values	65
Property Tax Rates – Direct and Overlapping Governments	67
Debt Information:	
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	69
Computation of Legal Debt Margin	70
Schedule of Direct and Overlapping Bonded Debt	71
Ratio of Annual Debt Service for General Bonded Debt to Total General Fund Expenditures and Uses	72
General Information:	
Demographics Statistics – County of Bay	73
Property Value and Construction Trends – County of Bay	75
Taxable Valuation Data	76
Summary of Property, Buildings, Equipment and Vehicles	77
Summary of Owned Buildings and Sites	79
Schedule of Insurance Carriers and Limits	80
Sick Leave Data	81
Investment Policy and Data	82
Schedule of Investments	85
Enrollment Statistics	86
Teaching and Administrative Staff – Labor Relations	87
Retirement Plan	88
State Aid Payments	89
Taxable Value By Municipal Unit	90



Lighting The Way

FINANCE and ACCOUNTING

910 N. Walnut Street

Bay City, MI 48706

Phone (989) 686-9700 Fax (989) 686-9861

Douglas L. Newcombe, MBA/CPA

Director of Finance

& Accounting

Bay City Public Schools

October 10, 2005

Board of Education
School District of the City of **Bay City**

910 N. Walnut Street

Bay City, MI 48706

Dear Board Members:

The Comprehensive Annual Financial Report of the School District of the City of Bay City for the year ended June 30, 2005, is completed and available for review. This report was prepared by the District's Finance and Accounting Department in conjunction with the District auditors of Andrews Hooper & Pavlik P.L.C. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: introduction, financial, and statistical. The introductory section includes this transmittal letter, the District organizational chart, and a listing of the elected board members. The financial section includes the Administration's discussion and analysis, the basic financial statements, and the required and other supplemental information, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiple-year basis.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental **Accounting** Standards Board for determining the various governmental organizations to be included in the reporting entity. The School District of the City of Bay City Board of Education (Board) is the basic level of government that has oversight responsibility and control over all activities related to public **school** education in the School District of the City of Bay City. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board, since the Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary responsibility for fiscal matters.

The report has been prepared following accounting principles generally accepted in the United States of America. We believe the data presented are accurate in all material respects and clearly reflect the financial position and the results of operations of the District. All disclosures necessary to enable the reader to gain full understanding of the District's financial activity have been made.

GENERAL OVERVIEW OF THE SCHOOL DISTRICT

The School District of the City of Bay City is a fiscally independent school district established under the laws of the State of Michigan and governed by a seven (7) member elected Board of Education. The District has ten (10) K-5 elementary schools, three (3) 6-8 middle schools, two (2) 9-12 high **schools** and one (1) alternative school. Other facilities are used for administration, transportation, technology, maintenance, warehouse, community education, special education, and various other programs of the District. It is a 270 square mile district

Carolyn C. **Wierda**, Superintendent ● 910 N. Walnut St. ● Bay City, Michigan 48706

located in Bay and Saginaw Counties, Michigan. **There** are three (3) cities and twelve (12) townships within the boundaries of this urban-suburban school district.

A comprehensive general education program for kindergarten through grade 12 students is provided and extensive additional programs are incorporated into the general education structure. Examples of the wide range of offerings include young fives, full-day kindergarten, before and after school programs, community education, special education, compensatory education, alternative education, vocational education, gifted and talented education, and programs for at-risk students. A full selection of courses is available to high school students and both high schools in the District are fully accredited by the North Central Association. Cooperative education, advanced placement, fine arts, and athletic programs provide students with many choices for academic and individual growth.

The Board and administration continuously strive to improve its curriculum and academic programs and the results of these efforts are reflected in increasing student standardized test results that have Bay City in the top five in several curriculum categories among demographically similar Michigan "Middle Cities" districts. The District has implemented a Middle School Concept in grades 6 through 8 that allows students a more age appropriate educational experience as a transition from the elementary grades to high school. At the secondary level, a High School of the 21st Century curriculum is utilized to assist students as they prepare for future educational and career objectives. Other examples of the broad range of curriculum offering include art, music, physical education, and foreign language offered to K-5 students in our elementary schools, educational assistance for non-English speaking students, cooperative education programs that allow high school students to explore career opportunities while gaining actual work experiences, vocational education such as automobile repair and maintenance offered in our high schools and many other offerings through the regional Bay Area Skill Center. The District also provides many educational opportunities and student services to parochial schools within its boundaries including Title I, transportation and food service.

The Bay-Arenac Intermediate School District (BAISD) levies a special education tax to support the **special** education center programs for all local school districts within the BAISD. These special education programs are for the more severely handicapped students within the BAISD. The School District of the City of Bay City also operates its own special education program for the less severely handicapped.

Operating results for **2004-05** reflect a general fund fiscal surplus of \$1,341,392, which is a decrease of \$1,429,041 from the \$2,770,433 fund balance for the **2003-2004** school year. However, as compared to our fund balance of \$230,418 in 2000-2001 when the fund balance policy was enacted, the District has made strides toward improving its financial position despite reductions in State funding. This commitment toward improving the financial position is evidenced by the adoption in July 2001 of a formal fund balance board policy designed to increase, establish and maintain a healthy fund balance in relation to the size of the overall budget. This policy has also been included as a annual District goal. Budget, fund balance, and cost effective operations will continue to be a major issue as we struggle to maintain core student programs and services in the face of difficult economic times.

Initiatives are **constantly** taken to attract new students and maintain the opportunities for current students. For example, in 2000-2001, two elementary schools were completely renovated with additional space being added in the form of classrooms, gymnasiums, and cafeterias. Programs such as day care, pre-school, **full-day** kindergarten, and young-fives have either been added or expanded to meet demand. During **2003-2004**, a program was developed that provides programs such as art, music, physical education, and foreign languages to parochial students. The District does not charge the parochial schools because State Aid can be received for this instructional time. This program has been an instructional and financial success for both the parochial schools and our School District.

MARKETING AND COMMUNICATION

Marketing through the use of printed information, internet web sites, and television are being stepped up to increase awareness of the many programs and services the District offers and also many other positive features including schools, curriculum, technology, and dedicated employees and volunteers. As a result of these initiatives, the District's student population has stabilized after several years of decline.

In the area of television, the District is one of three partners along with the City of Bay City and Bay County governments in the operation of a local cable television station called **Bay3-TV**. The **School** District broadcasts board meetings, school events such as **concerts** and plays, community events, educational programs such as a

mathline where students can call and get assistance with math problems as well as programs on child safety. Other programming includes monthly updates on issues such as curriculum, technology, and finance.

In the area of communication, the District has a web site for parents and community members to stay informed about District issues and information and for employees to use for accessing operations and training. Individual schools also have web pages that provide information ranging from event schedules to school lunch menus. The district's budget and audit also are part of the **website**.

Printed information is also an important communication component. The District distributes a brochure to local banks, realtors, and other businesses that includes information about programs and services offered in the District. A District newsletter entitled "The Light" is distributed as an insert in the local newspaper and provides information of interest to community and students. An internal newsletter entitled "The Beacon" is used to communicate information on a variety of issues to the 1,200 employees in the District including important reminders.

This spring a new initiative was begun called "Key Communicators." Each principal and central office administrator is part of a network involving a cross section of community members such as business leaders and parents. Each month, an **email** communication of current school district initiatives, events, and information is shared through the network and any questions can be answered.

ECONOMIC ENVIRONMENT

At the State level, funding for K-12 education has decreased or been frozen during the last three years but is expected to increase for 2005-06 based on current State economic data. As a historical perspective, in 1994-1995, Michigan began a new funding structure for K-12 education. This new structure reduced property taxes to 6 mills on homes, 24 mills on businesses, and increased the State sales tax from 4% to 6%. A foundation grant base amount of \$5,000 per student was established for districts funded below that level. Districts, such as Bay City, that were below the initial \$5,000 foundation grant level were increased at twice the official rate in order to catch those districts up at a faster rate.

Because **economic** conditions had been good during the **1990's**, school funding was predictable and stable with regular increases each year. Stable foundation grant levels and annual increases are critical for all school systems in their efforts to deal with important issues such as contract negotiations, facility improvements, technology improvements, curriculum improvements, increased testing, competition from charter schools, expansion of schools of choice, and the escalation of school violence. The foundation grant for the Bay City School District was \$6,621 per student in 2002-2003, which was an increase of \$121 from the \$6,500 amount received in 2001-2002. Originally, the 2002-2003-student foundation grant was \$6,700 but was reduced in March 2003 due to severe economic problems with the State's budget to \$6,621. This reduction resulted in an unexpected loss of revenue by Bay City Schools of approximately \$800,000 three-fourths through the fiscal year. The foundation grant for 2003-2004 was originally set at \$6,700 but was reduced midway through the fiscal year to \$6,616 due to State budget problems. In 2004-2005 the State maintained the foundation grant at \$6,700. School funding for future years is primarily dependent on the State's economy which is struggling and creating budgetary difficulties at all levels of government. In addition, the State's Michigan Public School Employee Retirement System (MPERS) is projecting that school districts will experience a 50% increase in contribution premiums over the next 5 years. Because these contributions are State mandated to fund the pension system, real school funding is declining even with modest increases in the per student foundation grant.

The City of Bay City itself has continued to strive towards greater economic development through a combination of public and private investment. The Bay City Mall constructed several years ago continues to flourish with more than 100 outlets. Anchor stores in the Mall include Sears, Younkers, Target, J.C. Penney, and Radio Shack. Many restaurants and retail businesses have located near the Bay City Mall including two new hotels as well as several strip malls. This has increased the traffic in the Bay City area and has drawn residents from the northern part of the State as well as tourists either attending Bay City events or passing through on their way northward to destinations such as Mackinaw Island, Traverse City, or one of the many lakes located in Michigan.

Continued construction and renovation projects are marking significant changes within the City of Bay City boundaries. Public investment in new streets, sidewalks, parking areas and parks are greatly improving the investment atmosphere for commercial, residential areas and major thoroughfares. Another bright spot for the Bay City area is the increase in new home construction in various townships located within the District.

The explosion of home construction is due to a combination of current residents who are relocating and

new families moving into the area. All of these developments are not only increasing the economic activity of the community but are also enhancing overall property values.

The downtown Bay City area has also seen a re-vitalization such as the Delta College **Planetarium/Learning Center** and Jennison Place, a 33-unit condominium that is located on the shore of the Saginaw River. In addition, many buildings in the downtown area have been redeveloped into specialty shops and restaurants. A new hotel convention center and hotel complex is now located on the riverfront with the expectation that this **facility will** enhance the economic revitalization of the city.

Bay City is home to many summer events that utilize the Saginaw River and Bay as well as surrounding parks and recreation areas. As a result, tourism has become an integral part of the local economy. A "Friendship Shell" located in Wenona Park on the banks of the Saginaw River in downtown Bay City, is used each Fourth of July weekend to celebrate our Nation's birth. A River Walk rests along the Saginaw River for walking, fishing, or jogging in a scenic setting. The River Walk is complimented by a Rail Trail for bikers, walkers, **rollerbladers**, and joggers that winds throughout the City and surrounding townships providing a peaceful, and scenic experience. The annual fireworks festival draws hundreds of thousands of tourists to the Bay City area. Other activities at the Shell take place continually during the summer months. A few examples are the River Roar boat race and the Pig Gig featuring national rib cooking competition and family activities. In addition, nationally sponsored boat races are held on both the Saginaw River and Saginaw Bay. Various concerts, festivals, bazaars and other family events are also a big part of the Bay City experience during the summer months.

The School District is also located very near two institutions for higher learning. Delta College is a junior college that offers many two-year degree programs such as Dental Hygiene as well as basic course offerings for individuals in pursuit of a four-year degree. Saginaw Valley State University located in Saginaw County offers both undergraduate and graduate degrees in many areas such as Business Administration, Engineering, Nursing, and Teaching. In addition, Central Michigan University is located approximately 60 miles from the District and also offers a full range of undergraduate and graduate degree programs. These colleges and universities also work with the surrounding K-12 school districts, including Bay City, to promote educational opportunities, provide student teaching, cooperative education opportunities, professional development, and grant initiatives.

MAJOR INITIATIVES

The mission and vision of the District puts the student as the focal point for every decision that is made. District initiatives and goals in areas such as finance, curriculum, technology, and support services are designed with this same philosophy.

During 2004-05 the District implemented a School Improvement Bond of \$5.9 million for energy system improvements in all facilities. The bonds will be paid using savings from the improvements and is intended to be the starting point for a comprehensive facility plan to upgrade and maintain all facilities through a combination of a voted bond issue and general fund operational dollars.

A technology plan implemented in 1999-2000 continues throughout the District focusing on standardizing equipment, software, **email**, and networking. At the beginning of the 2000-2001 school year the District entered into a capital lease arrangement with Dell Computers for a three-year lease with an option for upgrading computers every three years. In 2003-2004 this leasing arrangement was re-authorized with Dell under a four-year arrangement. Under this plan, District staff is replacing computer equipment from the original Dell lease with new computer equipment. Computer technicians, computer lab aides, and building level computer liaisons were added to insure that the technology was properly installed, properly used, and will be properly maintained in the future. The technology plan also included distributing employee handbooks regarding District policies on technology hardware, software, and Internet access.

Curriculum has been and continues to be a major focus. The District has implemented a Middle School Concept and High Schools of the **21st Century**, has been working to improve reading at the early elementary level, instituted a regular replacement schedule for textbooks throughout the District, has continued alignment of curriculum for all schools and in all core subject areas, and has initiated a balanced calendar program at one elementary school and one middle school. Because of its tremendous popularity with parents, the **full-day** kindergarten offerings continue to increase as well. These initiatives are being accomplished in conjunction with the technology department to ensure that technology equipment and software purchases are effectively used by staff to achieve curriculum goals.

Academic progress for our students in the Bay City Public Schools is improving due to the hard work of staff and students. This progress is measured through numerous district, state, and national assessments and supported

by the prioritization of our budget on student needs. The long-term effects of the changes that have been made in curriculum during the past several years are beginning to be realized. For example, the State of Michigan's **MEAP** assessment test results from May 2005 and May 2004 indicate significant improvements in student achievement in various subject areas. Annual improvements in student assessment is and will continue to be critical for all school districts in view of the national emphasis on student achievement and accountability as reflected in the "No Child Left Behind" legislation.

FINANCIAL INFORMATION

GASB 34 requires management to prepare a report referred to as 'Management Discussion and Analysis or **MD&A**. Discussion of specific financial information and financial trends of the District are contained in the **MD&A** included in this Comprehensive Annual Financial Statement.

Management of the District is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: **(1)** the cost of a control should not exceed the benefits likely to be derived; and **(2)** the valuation of costs and benefits requires estimates and judgments by management.

Single Audit - As a recipient of federal, state, and county financial assistance, **the** District is also responsible for ensuring that an adequate internal and administrative control structure is in place to ensure compliance with applicable laws and regulations related to those programs.

This internal control **structure** is subject to periodic evaluation by management and the District's independent public accountants in conjunction with their audits of the District. As a part of the District's single audit, described above, an evaluation of the internal control structure is performed and tests are conducted to determine whether the District complied with provisions of certain laws, regulations, and contracts. The auditors then issue reports related to these matters. The results of the District's single audit for the fiscal year ended June 30, 2005 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls - In addition, the District also maintains budgetary controls. The objective of budgetary controls is to ensure that budgets are in compliance with legal provisions in the annual appropriation budget adopted by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Funds. Under the guidelines of Bulletin 1022 (revised), the State of Michigan's School Accounting Manual, detailed line item budget information is provided and appropriate administrators are delegated the responsibility for monitoring and controlling their respective budget allocations. An encumbrance system is utilized to measure the uncommitted budget amount available at any given point in time during the year.

The administration believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner.

Debt Administration - The district currently holds an "A -" rating for bonded debt from Standard and Poor's Financial Rating Service. We see this as a statement that the District is a well-supported financial entity worthy of the prudent investor's investment dollar. The District has maintained a low debt position in proportion to the overall budget that includes \$16,015,523 long-term bonds and loans that will mature over the next five years and \$7,300,000 short term State Aid Anticipation Notes set to mature in August 2005. The District also has \$9,890,601 in long-term obligations for retirement incentives and vested severance pay obligations to current and past employees. Because of the **concern** on the size of these long-term obligations and the related impact of cash payments on the annual budget, the District, in collaboration with its 9 employee bargaining groups have changed both the qualifying criteria and the payment calculations for severance pay,

Cash Management - In accordance with Michigan statutes, the District's cash management guidelines are

established to maximize its interest earnings while attempting to minimize the risk of loss of invested money. Interest bearing checking accounts, cash management accounts, certificates of deposit in state or national banks, approved savings and loan association, and high grade commercial paper are all instruments used to achieve this goal.

In 2004-2005 the District earned \$93,934 in interest from investments in the general fund. The average yield on investments for all funds held at June 30, 2005, was 1.61% and is higher than the average yield on June 30, 2004 of 0.82%. The average monthly cash balance including borrowed funds for 2004-2005 was \$5,828,084.

OTHER INFORMATION

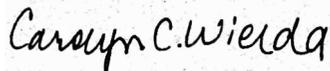
Independent Audit - State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Andrews **Hooper & Pavlik P.L.C.** was appointed by the Bay City Board of Education to perform this service for the 2004-2005 fiscal year. In addition, the Single Audit Act requires governmental recipients of Federal assistance to have organizational-wide financial and compliance audits on an annual basis. Both of these requirements have been met and the auditors' report on the financial statements is included herein.

Acknowledgments - The preparation of this report was accomplished through the commitment and dedication of the Finance and Accounting Department. We thank the personnel of the Finance and Accounting Department and the administrative staff for their dedication and efforts in preparation of the financial statements and the preparation of this Comprehensive Annual Financial Report. We also thank the independent audit firm of Andrews **Hooper & Pavlik, P.L.C.** for their assistance in the preparation of this report.

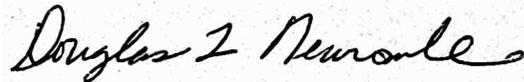
Continued diligence in fiscal management and timely communication between the Administration and Board of Education will facilitate efforts to exceed the present high level of excellence expected by its constituents.

In order that the community may know the content of this report, copies will be made available at various public libraries within the boundaries of the District. Copies of this report are also available for public distribution upon request to the Finance and Accounting Department and can be found on the District **website** at www.bcschools.net.

Sincerely,



Ms. Carolyn C. Wierda,
Superintendent of Schools



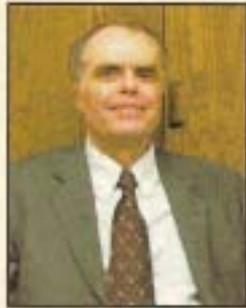
Mr. Douglas L. Newcombe, **MBA, CPA**
Director of Finance & Accounting

2005-2006

**BAY CITY PUBLIC SCHOOLS
BOARD OF EDUCATION**



Marie McFarland
President
Term 2005-2009



Ken Malkin
Vice-President
Term 2003-2007



Amy Doomhaag
Secretary
Term 2002-2006



Pauline Helmling
Treasurer
Term 2004-2008



Joel Bosco
Trustee
Term 2003-2007

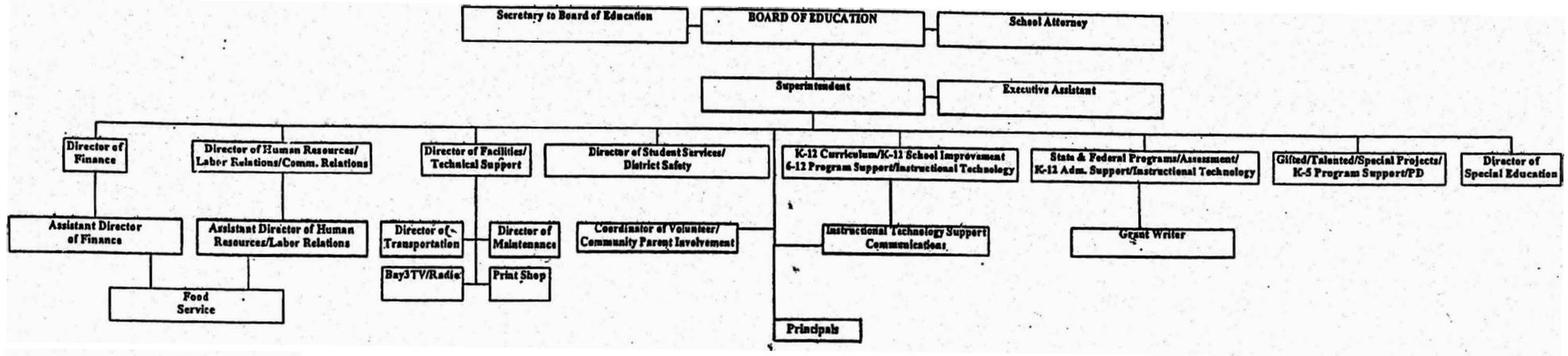


Ben Gibson
Trustee
Term 2002-2006



Patrick O'Shea
Trustee
Term 2005-2009

**Bay City Public Schools
Suggested Organizational Chart as of April 1, 2004
for school year 2004-2005**



Approved by Board of Education on April 13, 2004



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Board of Education
School District of the City of Bay City
910 N. Walnut Street
Bay City, Michigan 48706

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the School District of the City of Bay City, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the School District of the City of Bay City, Michigan, as of June 30, 2005 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005, on our consideration of the School District of the City of Bay City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 16 and page 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School District of the City of Bay City, Michigan, basic financial statements. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the introductory section and that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Andrews Hooper & Pavlik P.L.C.

Bay City, Michigan
September 2, 2005

School District of the City of Bay City

ADMINISTRATION'S DISCUSSION AND ANALYSIS

June 30, 2005

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

The Bay City Public School District, a K-12 school District located in portions of Bay, Saginaw, and Midland Counties, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. One of the requirements under GASB 34 is a written interpretation of the financial statements included in the audit report or for Bay City Public Schools, what is called the "Comprehensive Annual Financial Report" or CAFR. This written interpretation is called "Management's Discussion and Analysis" or MD&A. For Bay City Schools, the MD&A is intended to be the Bay City Public School Administration's discussion and analysis of the financial statements and information for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to provide assistance and insight regarding the financial condition of the School District to Board of Education members, taxpayers, investors, state and federal agencies, and other interested parties.

GASB 34 requires two different types of financial statements within the CAFR: District-Wide Financial Statements and Fund Financial Statements. Fund Financial Statements are essentially the statements used by governmental entities prior to GASB 34. The District-Wide Financial Statements are a requirement of GASB 34. The primary purpose of this requirement is to assist statement users in understanding the overall health and position of the governmental entity and its components by including long-term assets and long-term liabilities into the appropriate fund or program that uses or creates those assets or liabilities.

Fund Financial Statements:

The fund level statements are reported on a modified accrual basis meaning that revenues attributable to the audit year are only recorded if measurable and receivable within 60 days of the end of the fiscal year being June 30. Liabilities are recorded to the extent they are measurable and normally expected to be paid with current financial resources. General fixed assets and general long-term debt are no longer reported in fund financial statements.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's accounting manual entitled, "Bulletin 1022." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds, Capital Projects, and the School Service Funds. The School Service Fund is comprised of the following programs: Food Service, Athletics, Forest Day Care, Community Education, and Bay3-TV.

School District of the City of Bay City

Administration's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

In the Fund Financial Statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-Wide Financial Statements:

As discussed earlier, the District-Wide Financial Statements are full accrual basis statements. They report all of the District's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Assets of the District-Wide Financial Statements.

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Summary of Net Assets:

The following summarizes the net assets at fiscal year ended June 30, 2005 and June 30, 2004:

Net Assets Summary

Assets:	June 30, 2005	June 30, 2004
Current Assets	\$19,393,012	\$20,606,168
Capital Assets	52,991,370	52,918,235
Less: Accumulated Depreciation	(26,330,146)	(25,010,729)
Capital Assets Net Book Value	<u>26,661,224</u>	<u>27,907,506</u>
Total Assets	<u>\$46,054,236</u>	<u>\$48,513,674</u>
Liabilities:		
Current Liabilities	\$20,501,957	\$21,266,113
Long-Term Liabilities	20,992,181	19,589,127
Total Liabilities	<u>\$41,494,138</u>	<u>\$40,855,240</u>
Net Assets:		
Invested in Capital Assets Net of Related Debt	\$10,645,701	\$14,399,056
Restricted for Debt Service	572,823	486,589
Unrestricted (deficit)	(6,658,426)	(7,227,181)
Total Net Assets	<u>4,560,098</u>	<u>7,658,434</u>
Total Liabilities and Net Assets	<u>\$46,054,236</u>	<u>\$48,513,674</u>

Analysis of Financial Position:

During the fiscal year ended June 30, 2005, the District's net assets decreased by \$3,098,336 from June 30, 2004. "Total Net Assets" are \$4,560,098. This represents 9.90% of total District-Wide assets and 6.06% of the total District-Wide expense budget. Included in total net assets is \$10,645,701, which is the difference between the values

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

of capital assets such as land, buildings, buses, and equipment and long-term bonds, used to pay for those assets. This difference is one of the major changes between what is shown as Net Assets under the District-Wide Financial Statements and Fund Balance reflected in the Fund Financial Statements. The \$572,823 shown as "Restricted For Debt Service" at June 30, 2005, represents cash and receivables from property tax collections for the 1992 Bond Issue and is restricted for that use only. The "Unrestricted Deficit" is \$6,658,426 which is the difference between all assets other than capital assets (i.e. cash, receivables, and inventory) and all other liabilities other than bonds (i.e. accounts payable, salaries payable, state aid notes, and compensated absences). The major reason this unrestricted asset amount is a deficit is that the compensated absences (i.e. retirement incentives and unused sick days) are valued at \$9,438,460 (see footnote 6, Long Term Debt). For comparison, the District's "Capital Assets Net of Related Debt" decreased \$3,753,325 for the year ended June 30, 2005 because of payments on bond debts and the issuance of new debt. The "Net Assets Restricted for Debt Service" increased because the increase in property tax values resulted in the increased property tax revenues above the amount of debt payments for the year.

On the governmental fund statements, the general fund balance of \$1,341,392 represents 1.71% of the total general fund expenditure budget of \$78,597,768. Within this amount, \$183,991 is designated for specific purposes. Undesignated fund balance for 2004-2005 was \$1,157,401 and 1.47% of the general fund expenditure budget.

The significant factors affecting net assets during the year are discussed below:

State Aid:

In February 2003 and again in December 2004, the State of Michigan reduced State Aid that had previously been approved by the legislature. The foundation grant amount provided for each student was reduced from \$6,700 to \$6,621 for fiscal year June 2003 and reduced from \$6,700 to \$6,616 for fiscal year June 2004. This change resulted in a loss of revenue to Bay City Public Schools of \$777,834 for 2002-2003 and another \$824,880 in 2003-2004. In 2004-05, the State maintained the \$6,700 foundation grant for the entire school year.

Depreciation Expense:

GASB 34 requires school districts to maintain a record of annual depreciation expense and accumulated depreciation. For fiscal year ended June 30, 2005, accumulated depreciation was \$26,330,146 as compared to \$25,010,729 for the year ended June 30, 2004.

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

The District's capital outlay plan sets the time frame that depreciation expense is calculated, or put another way, the useful life of the asset. These useful lives are as follows:

Land Improvements	=	15 Years
Buildings	=	50 Years
Machinery and Equipment	=	4-15 Years
Vehicles and Buses	=	8 Years

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. The District has opted to depreciate buildings until 20% of the original cost remains. This 20% remaining or residual value will be maintained in the asset values and not be adjusted further unless additional capital expenditures are made or the building is sold or otherwise obsolete. In accordance with accounting principles generally accepted in the United States (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

Capital Outlay Acquisitions:

Actual capital outlay acquisitions for fiscal year ended June 30, 2005 were \$5,436,493 as compared to the fiscal year ended June 30, 2004 acquisitions of \$542,809. The largest capital outlay of the 2004-2005 school year was related to the energy system improvements financed with a school improvement bond. The largest purchase, of the 2003-2004, school year was the refreshment of computer technology through a capital lease rollover.

Capital Asset Deletions:

There were no significant deletions during 2004-2005. During 2003-2004 the District approved the sale of the Dolsen School Building for \$91,000.

Bonds Payable:

As discussed above, the District implemented an energy system improvement plan and issued \$5,980,000 in school improvement bonds.

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Results of Operations:

For the fiscal year ended June 30, 2005, the District-Wide results of operations were:

	Amount	Percent of Total
General Revenue:		
Property Taxes Levied for General Operations	\$ 9,372,558	13.22%
State of Michigan Aid, Unrestricted	56,575,983	79.81%
Interest and Investment Earnings	158,669	0.23%
Property Taxes Levied for Debt Services	1,774,598	2.51%
Other and Local Revenue	2,999,277	4.23%
Total General Revenue	\$ 70,881,085	100.00%
Program Revenue:		
Charges for Service – Local	2,578,103	23.45%
Operating Grants – Federal and State	8,417,995	76.55%
Total Program Revenue	\$ 10,996,098	100.00%
Expenses:		
Instructional Services	\$ 45,423,093	53.45%
Support Services	33,270,736	39.15%
Food Services	3,214,518	3.78%
Athletics	1,118,564	1.32%
Community Services	433,430	0.52%
Forest Day Care	485,532	0.57%
Community Education	52,233	0.06%
Bay 3 Televison	86,297	0.10%
Net Operating Transfers to Other Funds	(30,000)	(0.04)%
Interest on Long-Term Debt	921,116	1.09%
Total Expenses	\$ 84,975,519	100.00%
Decrease in Net Assets	\$ 3,098,336	

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

General Revenue:

Property Taxes Levied for General Operations (General Fund Property Taxes):

The District levies 18 mils of property for general fund operations on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

The District's non-homestead property levy for the 2004-2005 fiscal year was \$9,418,407. The non-homestead tax levy increased 5.06% from the prior year. The amount of unpaid personal property taxes from the 2004 levy was \$130,981 at June 30, 2005 or approximately 1.39% of the total levy. The average increase in the property tax levy over the last five years is 4.76% due to a combination of assessment increases and property additions.

The following summarizes the District's non-homestead levy the past five years:

Fiscal Year	Non-Homestead Tax Levy	Percent Increase from Prior Year
2004-2005	\$ 9,418,407	5.06%
2003-2004	8,964,385	1.34%
2002-2003	8,846,014	9.87%
2001-2002	8,050,863	6.01%
2000-2001	7,594,177	1.50%

State of Michigan Aid - Unrestricted:

The State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended at 75% of current year fall count and 25% of prior year winter count
- c. The District's non-homestead levy

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Bay City Public School foundation allowance was \$6,700 per student for the 2004-2005 school year, \$6,616 per student for the 2003-2004 school year, and \$6,621 per student for the 2002-2003 school year. The District started all three years with \$6,700; however, this amount was decreased in 2002-2003 and 2003-2004 because of State budget difficulties. The \$6,700 in 2004-2005 represents an increase of \$84 from the prior year or 1.26% more than Bay City's 2003-2004 foundation allowance per student of \$6,616 per student.

Student Enrollment:

The District's student enrollment for the fall count of 2004-2005 was 9,849 students. The District's enrollment had been declining; however, there was an increase in 2005 and the decline in 2004 was significantly less than the prior three years. The following summarizes fall student enrollments in the past five years:

Fiscal Year	Student FTE	FTE Change from Prior Year
2004-2005	9,849	29
2003-2004	9,820	(13)
2002-2003	9,833	(50)
2001-2002	9,883	(135)
2000-2001	10,018	(260)

The preliminary indication for 2005-2006 is that enrollment will decline as compared to 2004-2005. The first official 2005-2006 count will be September 21, 2005.

Interest and Investment Earnings:

During the year, the District earned \$158,669 from interest on invested cash in all funds compared to \$104,223 for the year ended June 30, 2004. The increase is due to an increase in interest rates.

Property Taxes Levied for Debt Service:

The District's debt fund levy, which is used to pay the principal and interest on the 1992 bond obligation, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) in lieu of taxes, which are essentially taxed at 50% of the regular tax rate.

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

For 2004-2005, the District's debt millage levy was 1.1 mills, which generated a levy of \$1,776,969. At June 30, 2005, \$8,311 of the 2004 personal debt levy remains unpaid to the District. The unpaid taxes represent 0.47% of the total levy.

Other and Local Revenue:

Of the \$2,999,277 of other general revenues, \$2,197,110 is revenue from a countywide special education millage levied by the intermediate school district. The Bay City Schools represent approximately one-half of the students and taxable valuation base within the entire intermediate school district boundary. The millage is first used for special education costs for center programs operated by the intermediate school district for the most severely handicapped children. Once those costs are covered, the remaining millage is distributed among the member local school districts based on proportion of total district student count. The remaining other funding relates to various local grants the District has been awarded.

Program Revenue:

Charges for Services – Local:

The single largest charge for services is food and milk sales in the food service program. Revenue from students and adult sales decreased \$38,728 from \$1,308,697 in 2003-2004 to \$1,269,969 in 2004-2005. School lunch prices increased 5 cents during 2004-2005 to \$1.65 for elementary students and \$1.75 for middle and high school students. Student participation for lunch and breakfast programs decreased from 1,114,589 meals served in 2003-2004 to 1,088,487 meals served in 2004-2005 or a decrease of 26,102 meals. Other charges for services include transportation fees charged for student field trips, printing fees for services performed by the District's print shop, tuition for the classes through the community education program, athletic gate receipts, GM Power-train adult education, and day care program fees.

Operating Grants – Federal and State:

These grants consist of federal grants such as Title I and Title II as well as special state grants known as categorical funding. These categorical grants allow schools to provide programs for students who qualify as at-risk, special education, and gifted and talented as well as funding to provide smaller elementary class sizes, driver education programs, bilingual education, and technology initiatives. The total categorical grant funding in 2004-2005 is \$8,262,886 consisting of \$2,614,824 in state categorical grants and \$5,648,062 in federal grants. The largest state categorical grant is At-Risk at \$1,795,843. The largest federal grants are Title I at \$2,683,193, Federal Hot Lunch Program at \$1,543,698, and Title II at \$725,291.

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Expenses:

Expenses on the District-Wide statements are \$84,975,519 for the general fund, school service fund, debt fund and capital projects combined. There are differences between expenses reported on the District-Wide statements and expenditures as reported on the governmental statements. On the governmental statements, general fund expenditures and other financing uses are \$77,518,047, school service expenditures are \$4,810,322, debt service expenditures are \$3,672,715, and capital projects expenditures are \$4,629,492 for a total of \$90,630,576. These same types of differences exist with revenues as reported on District-Wide statements versus governmental statements.

Two reconciliation worksheets appear towards the front of the audited financial statements. Respectively, the forms are titled "Reconciliation of the Governmental Funds Balance Sheet to the District-Wide Statement of Net Assets" and "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities." These two worksheets, required under GASB 34, are designed to assist readers to identify the accounting transactions that require different treatment under each set of statements and thus create the differences discussed above.

The types of transactions creating the largest difference were mentioned at the beginning of this MD&A, namely the treatment of capital assets and long-term debt. While principal payments on long-term debt are considered an expenditure on governmental statements, they are not considered an expense on District-Wide statements but rather a reduction in a long-term liability. Bond and loan proceeds are considered other financing sources on governmental statements but are increases in long-term liabilities. A review of both reconciliation worksheets may assist readers with additional specific information.

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES:

General Fund Expenditures and Operating Transfers Out - Budget Vs. Actual Five-Year History:

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
2000-2001	76,161,105	78,370,187	75,592,111	(0.74%)	(3.54%)
2001-2002	77,015,145	78,819,405	75,289,730	(2.24%)	(4.47%)
2002-2003	77,352,873	80,878,859	78,509,351	1.49%	(2.92%)
2003-2004	77,764,312	77,331,585	76,265,229	(1.93%)	(1.38%)
2004-2005	77,743,175	78,597,768	77,518,047	(0.29%)	(1.37%)
Five Year Average Over (Under) Budget				(0.74%)	(2.74%)

General Fund Revenue and Other Financing Sources - Budget Vs. Actual Five-Year History:

Fiscal Year	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
2000-2001	72,297,159	74,071,196	71,365,722	(1.28%)	(3.65%)
2001-2002	77,085,085	78,621,394	77,153,140	0.08%	(1.86%)
2002-2003	78,200,851	79,273,283	78,180,958	(0.03%)	(1.38%)
2003-2004	77,601,444	77,305,653	75,987,456	(2.08%)	(1.71%)
2004-2005	77,080,965	76,859,240	76,089,006	(1.28%)	(1.00%)
Five Year Average Over (Under) Budget				(0.92%)	(1.92%)

Original Budget vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

Because of the timing of student counts in September and February of each year, the constant changes in grants, state aid, retirement costs, carryover funds, and staffing issues, Bay City Public Schools normally amends its budget in December of each school year. If circumstances warrant in some years, a second revision may occur in the spring. For fiscal year 2004-2005, the budget was amended twice: on December 13, 2004 and May 9, 2005.

Change from Original Budget to Final Budget:

General Fund Revenues:

	Amount	Percent
Total Revenues Original Budget	\$77,080,965	100.00%
Total Revenues Final Budget	<u>76,859,240</u>	<u>99.71%</u>
Decrease in Budgeted Revenues	\$ 221,725	0.29%

The District's final general fund revenues differed from final budget by \$770,234 or a variance of 1.01%. The differences are due to variations in estimated revenues such as fees and uncollected budgeted property taxes.

The Final revenue budget reflects the following changes from the original budget:

- Decrease in grant dollars available for staffing costs of approximately \$200,000 in At-Risk
- Decrease in expected revenue from Med-bill of approximately \$100,000.
- Increase in expected revenue from investments of approximately \$100,000

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

	Amount	Percent
Total Expenses Original Budget	\$77,743,175	100.00%
Total Expenditures Final Budget	<u>78,597,768</u>	<u>101.10%</u>
Increase in Budgeted Expenditures	\$ 854,893	1.10%

The District's actual expenditures were less than final budget by 1.37%. This difference is primarily attributable to unspent Title I and Title II grant funding at June 30, 2004.

School District of the City of Bay City

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2005

The net effect of over and under spending from budget in other departments and programs was not material. Some significant budget adjustments for the year include:

- The District typically has adjustments each year for changes in federal and state grants due to increases or decreases in funding allocations as well as carryover funds approved for use that were not used in the prior grant years
- Increase of projected substitute employee costs of approximately \$100,000
- Increase of approximately \$60,000 needed to maintain the Nova net program which brings in student revenue
- Increase of approximately \$40,000 to hire bus aides
- Increase of approximately \$200,000 due to the State requirement to hire letter of intent teachers for absences exceeding 50 days
- Increase in estimate needed for retirement incentives and severance pay of approximately \$200,000

Summary of Financial Information:

During the 2004-2005 school year, Bay City Public Schools District-Wide net assets decreased by \$3,098,336 from 2003-2004. The total net assets is \$4,560,098. Total liabilities increased by \$638,898 and long-term liabilities, which are primarily bonds and compensated absences, increased by \$1,403,054. Total long-term debt at June 30, 2005 is \$20,992,181 as compared to \$19,589,127 at June 30, 2004. The governmental fund statements reflect a June 30, 2005 fund balance in the general fund of \$1,341,392 with a net decrease in fund balance of \$1,429,041 from the June 30, 2004 amount of \$2,770,433.

Based on these results, the District's financial position has remained stable through June 30, 2005 despite having a low percentage of reserves. The District has been able to maintain core programs and services despite the same or reduced state revenues the previous three years. The District's student population remained relatively stable to the prior year after several prior years of sharp declines.

The District's bond debt is covered by building and equipment additions and purchases leaving an overall net asset value. From the debt perspective, the majority of the total bond debt of \$14,329,755 will be paid off by 2009, or within 4 years. However, long-term compensated absences affect the District's operational budget costing approximately \$1.1 million annually and are valued at approximately \$10 million in total. This debt utilizes the current and future general fund resources and strains a budget trying to recover from an extremely low fund balance position.

School District of the City of Bay City

Administration's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

For the year, results of operations in the general fund showed a loss of \$1,429,041. In total, the other nonmajor funds fund ended the 2004-2005 school year with revenues exceeding expenditures by \$1,280,664.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Finance and Accounting Department of the Bay City Public Schools in person or by mail at 910 North Walnut Street, Bay City Michigan 48708, or by telephone at 989-671-8112. The Bay City Public Schools website is also available at www.bcschools.net.

School District of the City of Bay City

FINANCIAL STATEMENTS

June 30, 2005

SCHOOL DISTRICT OF THE CITY OF BAY CITY

DISTRICT-WIDE STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,817,076
Property taxes receivable (net)	286,678
Due from Intermediate School District	301,774
Due from Federal Government	1,265,044
Due from State of Michigan	10,954,678
Due from other governments	8,752
Due from other funds	14,200
Accounts receivable	155,855
Inventories	226,753
Prepaid expenses	<u>362,202</u>
Total current assets	<u>19,393,012</u>
Noncurrent assets	
Capital assets:	
Land	853,070
Land improvements	4,152,534
Buildings	35,693,002
Machinery and equipment	7,735,513
Vehicles and buses	4,557,251
Less accumulated depreciation	<u>(26,330,146)</u>
Total noncurrent assets	<u>26,661,224</u>
Total assets	<u>\$ 46,054,236</u>
LIABILITIES	
Current liabilities	
Accounts payable and other current liabilities	\$ 2,017,607
Due to Intermediate School District	85,074
Salaries payable	3,814,590
Payroll taxes	469,599
Retirement	1,278,568
Deferred revenues	327,565
Interest payable	295,011
Note payable	7,300,000
Bonds and loan payable, due within one year	3,830,775
Other accrued benefits, due within one year	<u>1,083,168</u>
Total current liabilities	<u>20,501,957</u>
Noncurrent liabilities	
Bonds and loan payable	12,184,748
Other accrued benefits	<u>8,807,433</u>
Total noncurrent liabilities	<u>20,992,181</u>
Total liabilities	<u>41,494,138</u>
Net Assets	
Invested in capital assets, net of related debt	10,645,701
Restricted for:	
Debt service	572,823
Unrestricted (deficit)	<u>(6,658,426)</u>
Total net assets	<u>\$ 4,560,098</u>

See accompanying notes.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**DISTRICT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Activities</u>
		<u>Services</u>	<u>Grants and</u>	<u>Net (Expense)</u>
			<u>Contributions</u>	<u>Revenue and</u>
				<u>Change in</u>
				<u>Net Assets</u>
Governmental activities:				
Instructional services	\$ 45,423,093	\$ 116,164	\$ 6,719,188	\$ (38,587,741)
Support services	33,270,736	434,987		(32,835,749)
Community services	433,430			(433,430)
Food Services	3,214,518	1,269,969	1,698,807	(245,742)
Athletics	1,118,564	138,850		(979,714)
Forest Day Care	485,532	501,204		15,672
Community education	52,233	14,454		(37,779)
Bay 3 Television	86,297	102,475		16,178
Interest on long-term debt	921,116			(921,116)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in (out)	(30,000)			30,000
Total governmental activities	<u>\$ 84,975,519</u>	<u>\$ 2,578,103</u>	<u>\$ 8,417,995</u>	<u>(73,979,421)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				9,372,558
Property taxes, levied for debt service				1,774,598
State aid - not restricted to specific purposes				56,575,983
Interest and Investment earnings				158,669
B.A.I.S.D. Special Education				2,197,110
Other				<u>802,167</u>
Total general revenues				<u>70,881,085</u>
Change in net assets				<u>(3,098,336)</u>
Net assets - beginning				<u>7,658,434</u>
Net assets - ending				<u>\$ 4,560,098</u>

See accompanying notes.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

	<u>General Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,851,555	\$ 1,965,521	\$ 5,817,076
Property taxes receivable	341,294	17,054	358,348
Due from Intermediate School District	301,774		301,774
Due from Federal Government	906,343	358,701	1,265,044
Due from State of Michigan	10,793,882	27,978	10,821,860
Due from other government	8,752		8,752
Due from other funds	251,183	183,394	434,577
Accounts receivable	108,817	47,038	155,855
Inventories	176,704	50,049	226,753
Prepaid expenses	362,202		362,202
Total assets	<u>\$ 17,102,506</u>	<u>\$ 2,649,735</u>	<u>\$ 19,752,241</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	\$ 1,900,269	\$ 117,338	\$ 2,017,607
Due to Intermediate School District	85,074		85,074
Salaries payable	3,783,453	31,137	3,814,590
Payroll taxes	467,217	2,382	469,599
Retirement	1,273,938	4,630	1,278,568
Due to other funds	183,394	236,983	420,377
Deferred revenues	668,859	17,054	685,913
Interest payable	98,910		98,910
Note payable	7,300,000		7,300,000
Total liabilities	<u>15,761,114</u>	<u>409,524</u>	<u>16,170,638</u>
Fund balances:			
Reserved for:			
Retirement of long-term debt		572,823	572,823
Unreserved:			
Designated for band uniforms	55,000		55,000
Designated for carry-over	128,991		128,991
Undesignated	1,157,401	1,667,388	2,824,789
Total fund balances	<u>1,341,392</u>	<u>2,240,211</u>	<u>3,581,603</u>
Total liabilities and fund balances	<u>\$ 17,102,506</u>	<u>\$ 2,649,735</u>	<u>\$ 19,752,241</u>

See accompanying notes.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
DISTRICT-WIDE STATEMENT OF NET ASSETS
June 30, 2005**

Total fund balances - governmental funds	\$	3,581,603
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of the capital assets is	\$ 52,991,370	
Accumulated depreciation is	<u>(26,330,146)</u>	26,661,224
Property tax revenues and related receivable not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
		286,678
Other long term receivable not available to pay current period expenditures.		
		132,818
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and loan payable		(16,015,523)
Accrued interest on the bonds		(196,101)
Other accrued benefits		<u>(9,890,601)</u>
Total net assets - governmental activities	\$	<u>4,560,098</u>

See accompanying notes.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2005**

	General Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 12,793,835	\$ 3,843,031	\$ 16,636,866
State program revenues	59,190,807	155,011	59,345,818
Federal program revenues	4,104,364	1,543,698	5,648,062
Total revenues	<u>76,089,006</u>	<u>5,541,740</u>	<u>81,630,746</u>
EXPENDITURES			
Current:			
Instruction services	44,749,521		44,749,521
Support services	28,383,564	4,810,322	33,193,886
Community services	401,229		401,229
Debt service:			
Principal		3,087,631	3,087,631
Interest		585,084	585,084
Capital outlay	807,001	4,629,492	5,436,493
Total expenditures	<u>74,341,315</u>	<u>13,112,529</u>	<u>87,453,844</u>
Excess (deficiency) of revenues over expenditures	<u>1,747,691</u>	<u>(7,570,789)</u>	<u>(5,823,098)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	(3,176,732)	2,931,253	(245,479)
Proceeds from Bond Issuance		5,920,200	5,920,200
Total Other Financing Sources (Uses)	<u>(3,176,732)</u>	<u>8,851,453</u>	<u>5,674,721</u>
Net change in fund balances	(1,429,041)	1,280,664	(148,377)
Fund balances - July 1, 2004	2,770,433	959,547	3,729,980
Fund balances - June 30, 2005	<u>\$ 1,341,392</u>	<u>\$ 2,240,211</u>	<u>\$ 3,581,603</u>

See accompanying notes.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

Total net change in fund balances - governmental funds	\$	(148,377)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation expense	(1,390,177)	
Capital outlay	<u>143,895</u>	(1,246,282)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		3,104,153
Repayment of capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		368,804
Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.		
		27,759
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds.		
		39,554
In the statement of activities, certain operating expenses - other accrued benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, other accrued benefits decreased.		
		692,041
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of two factors. Accrued interest on bonds increased.		
		44,012
Gross proceeds were received from the issuance of a new bond. The amount is treated as a source of financing in the governmental funds. The bond proceeds are not revenue but constitute long-term liabilities in the statement of net assets.		
		(5,980,000)
Change in net assets of governmental activities	\$	<u>(3,098,336)</u>

See accompanying notes.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2005

	Expendable Trusts	Agency Fund - Student Activities
ASSETS		
Cash and cash equivalents	\$	\$ 893,161
Due from other funds	29,333	2,479
Total assets	\$ 29,333	\$ 895,640
LIABILITIES		
Due to other funds		\$ 46,012
Due to student groups	29,333	849,628
Total liabilities	\$ 29,333	\$ 895,640
NET ASSETS		
Total net assets	\$ -	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2005

	Expendable Trusts
ADDITIONS	
Gifts and contributions	\$ 14,947
DEDUCTIONS	
Scholarships awarded	36,163
Change in net assets	(21,216)
Net assets - beginning of year	50,549
Net assets - ending of year	\$ 29,333

See accompanying notes.

School District of the City of Bay City

NOTES TO THE
FINANCIAL STATEMENTS

June 30, 2005

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

1. Summary of Significant Accounting Policies

The financial statements of the School District of the City of Bay City (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The more significant of the District's accounting policies are described below:

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.
- Fund financial statements that focus on the major funds.

Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting standards generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity* and GASB Statement #39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the financial statements of the School District of the City of Bay City contain all the funds controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

In the government-wide Statement of Net Assets, the columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets, net or related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

In creating the government-wide financial statements the District has eliminated interfund transactions.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

Governmental Funds (continued)

- a. General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Expenditures are classified in accordance with the Accounting Manual issued by the Michigan Department of Education (Bulletin 1022).
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- d. Capital projects funds are used to account for receipt and disbursement of monies used for the acquisition of capital assets, including equipment. Principal resources of revenues are from bond proceeds, tax levies, interest and transfers from other funds. Unexpended revenues no longer needed for projects for which the bonds were originally approved generally must be transferred to the debt service fund.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The fiduciary fund net assets and results of operations are not included in the government-wide statements.

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations, or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. The District has a sole agency fund, the Student Activity Fund, which accounts for the transactions of student clubs, organizations, and other groups.

The District has a sole Expendable Trust Fund which is used to account for scholarship funds received by the District which they administer in a trustee capacity.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest, grants, and charges for services. Other revenue is recorded when received.

State Foundation Revenue

The State of Michigan uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005 the foundation allowance was based on the pupil membership counts taken in February and September of 2004.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October, 2004 to August, 2005. Thus, the unpaid portion at June 30th is reported as due from State of Michigan. The local revenue is recognized as outlined in Note 1 – Property Taxes.

State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State guidelines require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of six months or less from date of acquisition.

Deposits and Investments

The District reports its investments in accordance with GASB Statement #31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. These statements also address common deposit and investment risks related to credit risk, concentration of credit risk, and foreign currency risk. As an element of interest rate risk, the Statements require certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified are also disclosed. The District had no investments at June 30, 2005.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more that 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Short-term Interfund Receivables/Payables

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

Accounts Receivable

Management of the District considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and are due upon receipt of the billing

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 30, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

Fund

General Fund - Non-Homestead properties	18.0 mils
Debt Service - All properties	1.1 mils

The delinquent real property taxes of the District are purchased by Bay County. The County sells tax notes, the proceeds of which are used to pay the District for these property taxes.

Property taxes receivable represent unremitted real property taxes from various governmental units and uncollected personal property taxes. Amounts deemed to be collectible within 60 days have been recorded as revenue for the current year in the fund statements. Property taxes not deemed collectible within this period are recorded as deferred revenue in the governmental funds statements and revenue in the district-wide statements. The receivable in the governmental-wide statement of net assets is shown net of an allowance for uncollectible amounts.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in governmental funds include supplies and transportation parts. Inventories in the food service fund include food products used for hot lunch. The inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Buildings, land improvements, machinery and equipment (other than technology assets) and vehicles and buses purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Technology capital assets (personal computers, monitor and printers) with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Buildings use a 20% salvage value in their calculation, while all other capital assets have no salvage value.

SCHOOL DISTRICT OF THE CITY OF BAY CITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land Improvements	15 years
Buildings	50 years
Machinery and equipment	4-15 years
Vehicles and Buses	8 years

Unemployment Insurance

The District reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the District. Billings received for amount paid by the MESA through June 30 are accrued.

Deferred Revenues

The unexpected balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the governmental funds financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Other Accrued Benefits

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The District also accrues for unpaid early retirement incentives and estimated liability for workers compensation claims.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources. A portion of the unreserved fund balance has been identified by the District as unexpended funds from school building classroom supply accounts that will be carried over into the 2005-2006 school year. Another portion of the designation is to purchase band uniforms.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the governmental funds statements. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Budgets and Budgetary Policies

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to June 1, the Superintendent submits to the Board of Education a proposed operating budget by function for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is prepared on the basis of accounting used by the particular fund.
- b. A public hearing is held in June to obtain taxpayer comment.
- c. Prior to July 1, the budget is adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 OF 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP basis) - general, special revenue and debt service funds.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Policies (continued)

- d. Any revisions that alter the total expenditures of any function must be approved by the Board of Education. During the year the District made minor budget amendments which were not material to the original appropriation. All unencumbered appropriations lapse at year-end while encumbered appropriations are carried forward to the next fiscal year.

A comparison of actual results of operations to the budgeted amounts for the General Fund is presented as Required Supplemental Information.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America, requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

2. Cash and Cash Equivalents

The District's policy on deposits is to pre-qualify financial institutions in order to minimize custodial credit risk.

At June 30, 2005, the District's deposits were reported in the financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	<u>\$5,817,076</u>	<u>\$893,161</u>	<u>\$6,710,237</u>

At June 30, 2005 the book value of the District's demand deposits, consisting of deposits and other cash equivalents, was \$6,710,237 with a corresponding bank balance of \$2,298,162 of which \$500,307 was covered by Federal depository insurance and \$6,209,930 was uninsured and uncollateralized; therefore, subjecting the District to custodian credit risk. Custodian credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it.

The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the District subject to minimal risk.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Capital Assets

Governmental capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated – land	\$ 853,070	\$ -	\$ -	\$ 853,070
Other capital assets:				
Land improvements	4,152,534	-	-	4,152,534
Buildings	35,693,002	-	-	35,693,002
Machinery and equipment	7,618,984	133,725	17,196	7,735,513
Vehicles and buses	4,600,645	10,170	53,564	4,557,251
Total – other capital assets	<u>52,065,165</u>	<u>143,895</u>	<u>70,760</u>	<u>\$ 52,138,300</u>
Accumulated depreciation:				
Land improvements	2,078,723	190,773	-	2,269,496
Buildings	13,742,761	503,928	-	14,246,689
Machinery and equipment	6,164,683	478,022	17,196	6,625,509
Vehicles and buses	3,024,562	217,454	53,564	3,188,452
Total – accumulated depreciation	<u>25,010,729</u>	<u>1,390,177</u>	<u>70,760</u>	<u>26,330,146</u>
Capital assets, net	<u>\$27,907,506</u>	<u>\$ (1,246,282)</u>	<u>\$ -</u>	<u>\$ 26,661,224</u>

Depreciation expense was allocated to activities as follows:

Governmental activities:

Instruction	\$953,956
Support services	385,889
Community services	11,297
Food services	31,342
Athletics	210
Forest Day Care	7,483
Total governmental activities depreciation expense	<u>\$1,390,177</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes (net of allowance of \$71,000)	\$ 258,920	\$ -
Grant and categorical aid payments received prior to meeting all eligibility requirements	-	26,769
Total	\$ 258,920	\$ 26,769

5. State Aid Anticipation Note Payable

At June 30, 2005, the District has outstanding an \$7,700,000 note (state aid note) dated August 20, 2004. The note has an interest rate of 1.57% and matures on August 20, 2005. The District has pledged its anticipated state aid receipts from the 2004-05 school year as security for the note.

6. Long-Term Debt

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include amounts due to employees under contracts negotiated with the employee groups, for payment of unused sick leave, termination bonuses under formulas and conditions specified in their contracts, and amounts due for estimated worker's compensation claim liability.

During the 1992-93 year, the District received approval of a \$15,000,000 general obligation bond issue payable in installments for 15 years through 2008 with interest from 3.20% to 6.50% for building renovations, classroom furniture, buses, and computer technology. A portion of these bonds were refinanced and created the 1997 Bonded Debt. As a result of the refinancing, the final bond payments will be made in 2007.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (continued)

During the 1996-97 year, the District borrowed \$580,000 payable in installments for 10 years through 2007 with interest from 3.85% to 4.65% for the rehabilitation of the Central High School Football Stadium.

During the 1997-98 year, the District received approval of a \$8,400,000 general obligation bond issue payable in installments for 10 years through 2007 with interest from 3.80% to 4.65% for refinancing the 1992 Debt.

During the 1998-99 year, the District received approval of a limited obligation bond issue (Durant) payable in installments for 15 years through 2013 with interest of 4.76% for technology improvements.

During the 1999-00 year, the District received approval of a \$6,000,000 non-voted bond issue, payable in installments for 8 years through 2008 with interest from 5.10% to 5.30% for the purpose of erecting, furnishing and re-equipping school facilities, in part for educational technology and developing and improving sites.

During the 2000-01 year, the District received approval of a \$4,000,000 non-voted bond issue, payable in installments for 8 years through 2009 with interest from 3.875% to 4.00% for the purpose of erecting, furnishing and re-equipping school facilities and developing and improving sites.

During the 2002-03 year, the District entered into a loan agreement for the purchase of a bus fleet, payable in annual installments of \$233,705, including interest at 3.41% through 2008.

During the 2003-04 year, the District entered into a capital lease obligation for various Dell computers. The lease provides for annual installments for 4 years through 2007 with interest at 3.13%.

During 2003-04 year, the State completed an audit of TIFA funds. As a result of the audit, the State deemed that the District should have received more revenue through taxes and less through State aid. The District negotiated with the State to repay the amount over a 5 year period through 2008.

During the 2004-2005 year, the District received approval of a \$5,930,000 voted bond issue, payable in installments for 20 years through 2024 with interest from 3.25% to 4.30% for the purpose of improving school facilities and developing and improving sites.

SCHOOL DISTRICT OF THE CITY OF BAY CITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (continued)

Long-term debt at June 30, 2005 is comprised of the following:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1992 General Obligation Bonds	3.80%-4.65%	2007	\$ 3,035,000
1997 Football Stadium Bonds	3.85%-4.65%	2007	145,000
Durant Limited Obligation Bonds	4.76%	2013	944,755
2000 Non-Voted Bonds	5.10%-5.30%	2008	2,250,000
2001 Non-Voted Bonds	3.875%-4.00%	2009	2,025,000
Capital lease obligations	3.13%	2008	792,468
Bus loan	3.41%	2008	860,254
School Improvement Bonds	3.25%-4.30%	2024	5,930,000
State TIFA recapture			33,046
Accumulated sick leave and severance			9,438,460
Accumulated vacation			272,141
Estimated liability for workers compensation			180,000
			<u>\$25,906,124</u>

The following is a summary of governmental long-term transactions for the District for the year ended June 30, 2005:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Bonds	\$ 11,239,755	\$ 5,980,000	\$ 2,890,000	\$ 14,329,755	\$ 3,233,655
Capital lease obligations	1,161,272	-	368,804	792,468	380,358
Bus loan	1,057,885	-	197,631	860,254	204,370
State TIFA Recapture	49,568	-	16,522	33,046	12,392
Accumulated sick leave and severance	10,029,152	30,920	621,612	9,438,460	1,083,168
Accumulated vacation	271,015	1,126	-	272,141	-
Estimated liability for workers compensation	282,475	-	102,475	180,000	-
Total	<u>\$ 24,091,122</u>	<u>\$ 6,012,046</u>	<u>\$ 4,197,044</u>	<u>\$ 25,906,124</u>	<u>\$ 4,913,943</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt (continued)

Annual debt service requirements to service the borrowings outstanding to maturity, including both principal and interest, are as follows:

	Principal	Interest	Total
2006	\$ 3,818,384	\$ 531,384	\$ 4,349,768
2007	3,588,583	257,824	3,846,407
2008	1,731,941	106,307	1,838,248
2009	998,298	55,430	1,053,728
2010	306,214	24,780	330,994
2011-2024	5,539,057	237,669	5,776,726
Total	\$ 15,982,477	\$ 1,213,394	\$ 17,195,871

7. Interfund Receivables and Payables

The amount of interfund receivables and payables at June 30, 2005 are as follows:

Receivable Fund	Payable Fund	Amount
Other governmental funds	General fund	\$251,183
Other governmental funds	Special revenue funds	183,394
General fund	Fiduciary fund	31,811
Total		\$466,388

For the year ended June 30, 2005, there were \$3,176,732 of interfund transfers. The General fund had operating transfers out while the other governmental funds had operating transfers in.

Transfers to external organizations:

Transfer out of general fund to:	
Bay Arenac Intermediate School District	\$215,479

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Employee Retirement System - Defined Benefit Plan

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000 and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributes at the rate of 3.9% of gross wages beginning at enrollment. Market rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amount on a cash disbursement basis. The rate effective July 1, 2003 through the year ended June 30, 2004 was 12.99% of payroll. The rates for the year ended June 30, 2005 were 12.99% of payroll through September 30, 2004 and 14.87% effective October 1, 2004. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2005, 2004 and 2003 were \$6,764,026, \$6,009,689, and \$6,030,157, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which are the responsibility of the State of Michigan.

Other Postemployment Benefits

Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage. These benefits are not included in the pension benefit obligation referred to above.

9. Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Risk Management (continued)

District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring property and casualty. The pool is considered a public entity risk pool.

The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums plus investment income earned on the annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool retains a policy of funding the aggregate assessment point at 100%. Therefore, a special assessment for each District would not be required. The pool maintains insurance for each claim in excess of \$500,000 for property claims and \$600,000 for liability claims for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District is self-insured for workers compensation for claims up to \$350,000 per occurrence. Claims above \$350,000 per occurrence are covered by an insurance policy, which provides up to \$1,000,000 per occurrence and \$5,000,000 in aggregate. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement.

The costs associated with the worker's compensation self-insurance plan is reported as operating expenditures of the General Fund. The estimated liability of the workers' compensation self-insurance plan, \$180,000, includes incurred but not reported claims. These estimated liabilities reported in the District-Wide Statements at June 30, 2005 are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Since actual claims liabilities depend on complex factors, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically by a third party administrator to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

Changes in the estimated workers' compensation claims liability amounts in fiscal 2004 and 2005 were:

	<u>Beginning of Fiscal year liability</u>	<u>Current year claims and changes in estimate</u>	<u>Claim payments</u>	<u>Balance at fiscal year end</u>
2004	\$564,275	\$ (47,895)	\$233,905	\$282,475
2005	\$282,475	\$ 80,118	\$182,593	\$180,000

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. GASB Statement No. 34 requires disclosure of any excess of expenditures over appropriations for the individual funds presented in the Budgetary Comparison Schedule. In the following instances the District expended funds in excess of the amounts appropriated:

	Budget	Actual	Variance
<u>General Fund</u>			
Instruction - Special Education	\$3,390,391	\$3,540,314	\$149,923
Supporting Services - Pupil – Guidance Services	984,784	1,014,924	30,140
Supporting Services - General Administration - Board of Education	119,700	121,821	2,121
Supporting Services - Business - Operation & Maintenance of Plant	5,869,306	6,255,802	386,496
Supporting Services - Business - Pupil Transportation Services	221,712	255,760	34,048
Supporting Services - Central - Other Central Services	216,764	219,613	2,849
Supporting Services - Employee Benefits	8,854,484	9,453,409	598,925
Community Services - Employee Benefits	44,653	63,201	18,548
Other Financing Uses - Transfer to YMCA - Four Year Old Program	201,985	215,479	13,494
<u>Food Service</u>			
Employee Benefits	683,929	715,768	31,839
Contracted Services	128,700	128,810	110
Food Cost	1,158,373	1,210,876	52,503
Other	77,271	79,414	2,143
Community Education			
Employee Benefits	-	403	403
Supplies and Materials	-	20,781	20,781

SCHOOL DISTRICT OF THE CITY OF BAY CITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Litigation

The District is the defendant in various lawsuits; however, for cases in which there is a potential adverse claim, the settlements are not expected to exceed insurance limits or the amounts involved are immaterial to the financial position of the District. In all other cases, the District's counsel has deemed the probability of loss remote. No liability or reservation of fund balance has been established for any potential adverse claim.

Required Supplemental Information

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable - (Unfavorable)
	Original	Final		
REVENUES				
Local sources	\$ 12,758,942	\$ 12,906,719	\$ 12,793,835	\$ (112,884)
State program revenues	59,278,653	59,323,172	59,190,807	(132,365)
Federal program revenues	5,043,370	4,629,349	4,104,364	(524,985)
Total revenues	<u>77,080,965</u>	<u>76,859,240</u>	<u>76,089,006</u>	<u>(770,234)</u>
EXPENDITURES				
Current:				
Instruction services	45,057,043	45,578,326	44,749,521	828,805
Support services	28,214,816	27,908,334	28,383,564	(475,230)
Community services	426,600	780,155	401,229	378,926
Capital outlay	889,699	984,689	807,001	177,688
Total expenditures	<u>74,588,158</u>	<u>75,251,504</u>	<u>74,341,315</u>	<u>910,189</u>
Excess of revenues over expenditures	<u>2,492,807</u>	<u>1,607,736</u>	<u>1,747,691</u>	<u>139,955</u>
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	<u>(3,155,017)</u>	<u>(3,346,264)</u>	<u>(3,176,732)</u>	<u>169,532</u>
Net change in fund balances	<u>(662,210)</u>	<u>(1,738,528)</u>	<u>(1,429,041)</u>	<u>309,487</u>
Fund balances - July 1, 2004	2,642,025	3,037,079	2,770,433	
Fund balances - June 30, 2005	<u>\$ 1,979,815</u>	<u>\$ 1,298,551</u>	<u>\$ 1,341,392</u>	<u>\$ 42,841</u>

Other Supplemental Information

School District of the City of Bay City

GENERAL FUND

June 30, 2005

The General Fund is used to record the general operations of the school district pertaining to education and those operations not provided for in other funds.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local Sources:			
Property taxes	\$ 9,600,073	\$ 9,372,558	\$ (227,515)
Interest on delinquent taxes	45,000	49,187	4,187
Tuition	170,000	113,100	(56,900)
Interest earned	50,000	93,934	43,934
Rentals	100,000	60,876	(39,124)
Transportation	200,000	202,228	2,228
Medicaid School Based Services	100,000	120,233	20,233
Miscellaneous	695,052	584,609	(110,443)
B.A.I.S.D. special education transfer	1,946,594	2,197,110	250,516
Total Local Sources	<u>12,906,719</u>	<u>12,793,835</u>	<u>(112,884)</u>
State Sources:			
Grants - unrestricted:			
State School Aid	56,418,127	56,575,983	157,856
Grants - restricted:			
Vocational education - added costs	53,384	52,231	(1,153)
Special education	333,102	333,103	1
Court Placed Children	54,470	49,042	(5,428)
Early childhood education	412,500	144,882	(267,618)
At Risk	1,799,978	1,795,843	(4,135)
Bilingual	9,617	9,636	19
Adult education	67,985	70,343	2,358
Durant	147,879	147,880	1
Golden Apple Award	19,318	5,369	(13,949)
Technical Energy	-	2,000	2,000
Other	6,812	4,495	(2,317)
Total State Sources	<u>59,323,172</u>	<u>59,190,807</u>	<u>(132,365)</u>
Federal Sources:			
Title V-C - Indian Education	53,001	53,001	-
Title I - Regular	2,905,357	2,683,193	(222,164)
Title I - Migrant Education	13,198	13,198	-
Title II - Part A	795,682	673,155	(122,527)
Title II - Part D	64,088	52,136	(11,952)
Title III - Limited English Proficiency	122,018	77,464	(44,554)
Title VI	16,668	16,660	(8)
Safe and Drug Free	97,163	82,968	(14,195)
Medicaid Outreach	50,000	-	(50,000)
Special Education IDEA Funds: Flow-through	286,816	248,391	(38,425)
Special Education IDEA Funds: Pre-primary	106,911	105,076	(1,835)
Transitional Services Grant	9,447	9,116	(331)
Carl Perkins Vocational Grant	6,000	1,965	(4,035)
Medicaid School Based Services	20,000	326	(19,674)
Healthy Weight Grant			
Freedom to Learn Grant	83,000	87,715	4,715
Total Federal Sources	<u>4,629,349</u>	<u>4,104,364</u>	<u>(524,985)</u>
Total Revenue	<u>\$ 76,859,240</u>	<u>\$ 76,089,006</u>	<u>\$ (770,234)</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

GENERAL FUND

STATEMENT OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

For the Year Ended June 30, 2005

	<u>Salaries and Wages</u>	<u>Purchased Services</u>	<u>Supplies and Other Costs</u>
INSTRUCTION			
Basic Programs:			
Elementary	\$ 10,797,004	67,465	187,823
Middle School	5,648,568	1,063	73,535
High School	7,466,848	3,139	282,338
Total Basic Programs	<u>23,912,420</u>	<u>71,667</u>	<u>543,696</u>
Added Needs:			
Special education	3,506,594	5,003	9,778
Compensatory education	2,387,779	249,329	250,852
Vocational education		3,661	24,318
Total Added Needs	<u>5,894,373</u>	<u>257,993</u>	<u>284,948</u>
Adult/Continuing Education:			
Adult instruction	59,573		
Employee Benefits			
Total Instruction	<u>29,866,366</u>	<u>329,660</u>	<u>13,724,851</u>
SUPPORTING SERVICES			
Pupil:			
Truancy services	49,021		
Guidance services	1,014,924		
Psychological services	219,984	1,290	2,249
Other pupil services	1,000,115	8,212	20,333
Total Pupil	<u>2,284,044</u>	<u>9,502</u>	<u>22,582</u>
Instructional Staff:			
Improvement of instruction	414,037	76,740	34,511
Library/Media	598,611		114,197
Supervision and direction	334,999	1,374	9,765
Other instructional staff	42,554		
Total Instructional Staff	<u>1,390,201</u>	<u>78,114</u>	<u>158,473</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

GENERAL FUND

**STATEMENT OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
For the Year Ended June 30, 2005**

<u>Capital Outlay</u>	<u>Total</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
16,614	11,068,906	\$ 11,244,623	\$ 175,717
12,386	5,735,552	5,981,522	245,970
113,401	7,865,726	7,913,219	47,493
<u>142,401</u>	<u>24,670,184</u>	<u>25,139,364</u>	<u>469,180</u>
18,939	3,540,314	3,390,391	(149,923)
	2,887,960	3,084,479	196,519
13,923	41,902	82,697	40,795
<u>32,862</u>	<u>6,470,176</u>	<u>6,557,567</u>	<u>87,391</u>
	59,573	94,144	34,571
	13,724,851	14,153,645	428,794
<u>175,263</u>	<u>44,924,784</u>	<u>45,944,720</u>	<u>1,019,936</u>
	49,021	49,021	
	1,014,924	984,784	(30,140)
	223,523	250,479	26,956
	1,028,660	1,096,227	67,567
<u>-</u>	<u>2,316,128</u>	<u>2,380,511</u>	<u>64,383</u>
	525,288	661,104	135,816
	712,808	742,545	29,737
15,832	361,970	378,256	16,286
	42,554	43,100	546
<u>15,832</u>	<u>1,642,620</u>	<u>1,825,005</u>	<u>182,385</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**GENERAL FUND
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
For the Year Ended June 30, 2005**

	<u>Salaries and Wages</u>	<u>Purchased Services</u>	<u>Supplies and Other Costs</u>
SUPPORTING SERVICES (CONT'D)			
General Administration:			
Board of education	\$	76,328	45,493
Executive administration	428,517	12,257	57,051
Total General Administration	<u>428,517</u>	<u>88,585</u>	<u>102,544</u>
School Administration:			
Office of the principal	3,348,164	1,811	81,449
Business:			
Fiscal services	331,565	2,847	20,869
Operation & maintenance of plant	3,243,026	289,792	2,618,757
Pupil transportation services	98,813	98,813	156,947
Total Business	<u>3,574,591</u>	<u>391,452</u>	<u>2,796,573</u>
Central:			
Planning, research & development	1,990,117	42,047	618,353
Staff services	546,289	18,999	95,831
Data processing services	409,521	5,769	227,364
Other central services	179,204	3,952	36,107
Total Central	<u>3,125,131</u>	<u>70,767</u>	<u>977,655</u>
Employee Benefits			9,453,409
Total Supporting Services	<u>14,150,648</u>	<u>640,231</u>	<u>13,592,685</u>
COMMUNITY SERVICES			
Community services	145,967	37,045	155,016
Employee benefits	98,813	98,813	63,201
Total Community Services	<u>145,967</u>	<u>37,045</u>	<u>218,217</u>
OTHER FINANCING USES			
Operating Transfers:			
Transfer to Special Revenue Fund-Athletics			1,054,904
Transfer to Special Revenue Fund-Bay 3 TV			30,000
Transfer to Debt Service Fund			1,876,349
Transfer to Other Governmental Units			215,479
Total Other Financing Uses			<u>3,176,732</u>
Total Expenditures and Other Financing Uses	<u>\$ 44,162,981</u>	<u>\$ 1,006,936</u>	<u>\$ 31,541,129</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

GENERAL FUND

**STATEMENT OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
For the Year Ended June 30, 2005**

<u>Capital Outlay</u>	<u>Total</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
	121,821	119,700	\$ (2,121)
	497,825	512,873	15,048
-	619,646	632,573	12,927
	3,431,424	3,565,178	133,754
2,029	357,310	362,326	5,016
104,227	6,255,802	5,869,306	(386,496)
	255,760	221,712	(34,048)
106,256	6,868,872	6,453,344	(415,528)
6,088	2,656,605	2,729,103	72,498
1,150	662,269	683,739	21,470
449,830	1,092,484	1,185,928	93,444
350	219,613	216,764	(2,849)
457,418	4,630,971	4,815,534	184,563
	9,453,409	8,854,484	(598,925)
579,506	28,963,070	28,526,629	(436,441)
52,233	390,261	735,502	345,241
	63,201	44,653	(18,548)
52,233	453,462	780,155	326,693
	1,054,904	1,222,349	167,445
	30,000	30,000	-
	1,876,349	1,891,930	15,581
	215,479	201,985	(13,494)
	3,176,732	3,346,264	169,532
\$ 807,002	\$ 77,518,048	\$ 78,597,768	\$ 1,079,720

School District of the City of Bay City

SPECIAL REVENUE FUNDS

June 30, 2005

Special Revenue Funds are used to segregate the transaction of particular activities from regular revenue and expenditure accounts. The school district maintains full control of these funds. The Special Revenue Funds maintained by the school district, as mandated by the State of Michigan, are the Food Service, Day Care, Community Education, Bay 3 Television, and Athletic Fund.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
June 30, 2005**

	<u>Food Service</u>	<u>Athletics</u>	<u>Forest Day Care</u>	<u>Community Education</u>	<u>Bay 3 Television</u>	<u>Combined Total</u>
ASSETS						
Accounts Receivable	\$ 47,038	\$	\$	\$	\$	\$ 47,038
Due from Federal Government	358,701					358,701
Due from State of Michigan	27,978					27,978
Inventories	50,049					50,049
Due from other funds		9,816	131,275		42,303	183,394
Total Assets	<u>\$ 483,766</u>	<u>\$ 9,816</u>	<u>\$ 131,275</u>	<u>\$ -</u>	<u>\$ 42,303</u>	<u>\$ 667,160</u>
LIABILITIES						
Accounts payable	\$ 91,099	\$ 9,816	\$ 16,423	\$	\$	\$ 117,338
Salaries payable	18,105		13,032			31,137
Payroll taxes	1,385		997			2,382
Retirement	2,692		557	1,381		4,630
Due to other funds	234,504			2,478		236,982
Total Liabilities	<u>347,785</u>	<u>9,816</u>	<u>31,009</u>	<u>3,859</u>	<u>-</u>	<u>392,469</u>
FUND BALANCES						
	135,981	-	100,266	(3,859)	42,303	274,691
Total Liabilities and Fund Balances	<u>\$ 483,766</u>	<u>\$ 9,816</u>	<u>\$ 131,275</u>	<u>\$ -</u>	<u>\$ 42,303</u>	<u>\$ 667,160</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2005

	Food Service			Athletic Fund			Forest Day Care		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE									
Local Sources	\$ 1,396,251	\$ 1,270,067	\$ (126,184)	\$ 155,500	\$ 138,850	\$ (16,650)	\$ 504,309	\$ 501,204	\$ (3,105)
State Sources	153,808	155,011	1,203						
Federal Sources	1,449,607	1,543,698	94,091						
Total Revenue	2,999,666	2,968,776	(30,890)	155,500	138,850	(16,650)	504,309	501,204	(3,105)
EXPENDITURES									
Current:									
Salaries	887,676	879,701	7,975	688,171	621,814	66,357	347,743	308,070	39,673
Employee benefits	683,929	715,768	(31,839)	195,982	188,110	7,872	85,296	75,425	9,871
Contracted services	128,700	128,810	(110)	114,966	89,339	25,627	4,340	951	3,389
Food cost	1,158,373	1,210,876	(52,503)						
Supplies and materials	165,092	126,268	38,824	206,832	129,424	77,408	86,325	72,064	14,261
Other	77,271	79,414	(2,143)	70,549	67,048	3,501	26,250	21,539	4,711
Capital outlay	43,000	42,339	661	25,649	22,619	3,030	25,000	16,750	8,250
Total Expenditures	3,144,041	3,183,176	(39,135)	1,302,149	1,118,354	183,795	574,954	494,799	80,155
OTHER FINANCING SOURCES (USES)									
Transfer from General Fund				1,222,349	1,054,904	(167,445)			
Transfer to Debt Fund				(75,700)	(75,400)	300			
				1,146,649	979,504	(167,145)			
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(144,375)	(214,400)	(70,025)				(70,645)	6,405	77,050
FUND BALANCES - July 1, 2004	146,300	350,381	204,081				35,635	93,861	58,226
FUND BALANCES - June 30, 2005	\$ 1,925	\$ 135,981	\$ 134,056	\$ -	\$ -	\$ -	\$ (35,010)	\$ 100,266	\$ 135,276

SCHOOL DISTRICT OF THE CITY OF BAY CITY

SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2005

Community Education			Bay 3 Television			Combined Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$	\$ 14,454	\$ 14,454	\$ 90,000	\$ 102,475	\$ 12,475	\$ 2,146,060	\$ 2,027,050	\$ (119,010)
						153,808	155,011	1,203
						1,449,607	1,543,698	94,091
-	14,454	14,454	90,000	102,475	12,475	3,749,475	3,725,759	(23,716)
		-	65,287	58,817	6,470	1,988,877	1,868,402	120,475
	403	(403)	17,180	13,275	3,905	982,387	992,981	(10,594)
	(280)	280				248,006	218,820	29,186
						1,158,373	1,210,876	(52,503)
	20,781	(20,781)	4,300	2,635	1,665	462,549	351,172	111,377
			4,000	70	3,930	178,070	168,071	9,999
			18,000	11,500	6,500	111,649	93,208	18,441
-	20,904	(20,904)	108,767	86,297	22,470	5,129,911	4,903,530	226,381
						1,222,349	1,054,904	(167,445)
						(75,700)	(75,400)	300
						1,146,649	979,504	(167,145)
	(6,450)	(6,450)	(18,767)	16,178	34,945	(233,787)	(198,267)	35,520
	2,591	2,591	7,564	26,125	18,561	189,499	472,958	283,459
\$	\$ (3,859)	\$ (3,859)	\$ (11,203)	\$ 42,303	\$ 53,506	\$ (44,288)	\$ 274,691	\$ 318,979

School District of the City of Bay City

DEBT SERVICE FUNDS

June 30, 2005

Debt Service Funds are used to record principal and interest payments on current obligations of the school district.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

DEBT SERVICE FUNDS
 COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS
 June 30, 2005

	1992 General Obligation Bonds (Including 1997 Refunding)	1997 Football Stadium Bonds	Durant Limited Obligation Bonds	2000 6,000,000 Non-Voted Resolution Bonds	2001 4,000,000 Non-Voted Resolution Bonds	2003 Bus Loan	2005 School Improvement Bonds	Combined Total
ASSETS								
Cash and cash equivalents	\$ 555,769	\$	\$	\$	\$	\$	\$	\$ 555,769
Taxes receivable	17,054							17,054
Total Assets	<u>\$ 572,823</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 572,823</u>
LIABILITIES								
Deferred revenue	\$ 17,054	\$	\$	\$	\$	\$	\$	\$ 17,054
FUND BALANCES	555,769							555,769
Total Liabilities and Fund Balances	<u>\$ 572,823</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 572,823</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

DEBT SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - ALL DEBT SERVICE FUNDS
 For the Year Ended June 30, 2005

	1992 General Obligation Bonds (Including 1997 Refunding)			1997 Football Stadium Bonds			Durant Limited Obligation Bonds			2000 \$6,000,000 Non-Voted Resolution Bonds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES												
Local Sources:												
Property taxes	\$ 1,724,040	\$ 1,774,598	\$ 50,558	\$	\$	\$	\$	\$	\$	\$	\$	\$
Interest on delinquent taxes	6,500	6,453	(47)									
Interest	10,000	9,095	(905)									
	<u>1,740,540</u>	<u>1,790,146</u>	<u>49,606</u>									
State Sources												
Total Revenues	<u>1,740,540</u>	<u>1,790,146</u>	<u>49,606</u>				<u>103,852</u>		<u>(103,852)</u>			
							<u>103,852</u>		<u>(103,852)</u>			
EXPENDITURES												
Debt Service:												
Principal repayment	1,500,000	1,500,000		65,000	65,000		68,331		68,331	750,000	750,000	
Interest and other fiscal charges	221,028	220,966	62	10,700	10,400	300	35,521		35,521	157,150	157,025	125
Total Expenditures	<u>1,721,028</u>	<u>1,720,966</u>	<u>62</u>	<u>75,700</u>	<u>75,400</u>	<u>300</u>	<u>103,852</u>		<u>103,852</u>	<u>907,150</u>	<u>907,025</u>	<u>125</u>
OTHER FINANCING SOURCES												
Operating transfer in				75,700	75,400	(300)				907,150	907,025	125
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>19,512</u>	<u>69,180</u>	<u>49,668</u>									
FUND BALANCES - July 1, 2004	<u>462,539</u>	<u>486,589</u>										
FUND BALANCES - June 30, 2005	<u>\$ 482,051</u>	<u>\$ 555,769</u>	<u>\$ 49,668</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

DEBT SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - ALL DEBT SERVICE FUNDS
 For the Year Ended June 30, 2005

2001 \$4,000,000 Non-Voted Resolution Bonds			2003 Bus Loan			2005 School Improvement Bonds			Combined Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,724,040	\$ 1,774,598	\$ 50,558
									6,500	6,453	(47)
									10,000	9,095	(905)
									1,740,540	1,790,146	49,606
									103,852		(103,852)
									1,844,392	1,790,146	(54,246)
525,000	525,000		197,632	197,631	1	50,000	50,000	-	3,155,963	3,087,631	68,332
100,463	100,338	125	36,474	36,074	400	75,211	60,281	14,930	636,547	585,084	51,463
625,463	625,338	125	234,106	233,705	401	125,211	110,281	14,930	3,792,510	3,672,715	119,795
625,463	625,338	(125)	234,106	233,705	(401)	125,211	110,281	(14,930)	1,967,630	1,951,749	(15,881)
									19,512	69,180	49,668
									462,539	486,589	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 482,051	\$ 555,769	\$ 49,668

School District of the City of Bay City

CAPITAL PROJECTS FUNDS

June 30, 2005

Capital Projects funds are used to account for the receipt and disbursements of monies used for the acquisition of capital assets including equipment.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS
June 30, 2005**

	Non-Voted Project \$6,000,000	Non-Voted Project \$4,000,000	Non-Voted Project \$5,900,000	Combined Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 1,409,752	\$ 1,409,752
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,409,752</u>	<u>\$ 1,409,752</u>
 FUND BALANCES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,409,752</u>	<u>\$ 1,409,752</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ALL CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2005**

	<u>Non-Voted Project \$6,000,000</u>	<u>Non-Voted Project \$4,000,000</u>	<u>Non-Voted Project \$5,900,000</u>	<u>Combined Total</u>
REVENUES				
Local Sources:				
Interest	\$	\$	\$ 25,835	\$ 25,835
EXPENDITURES				
Capital Outlay			4,536,283	4,536,283
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES			(4,510,448)	(4,510,448)
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issuance			5,920,200	5,920,200
Net Change in Fund Balances			1,409,752	1,409,752
FUND BALANCES - July 1, 2004				
FUND BALANCES - June 30, 2005	\$ -	\$ -	\$ 1,409,752	\$ 1,409,752

School District of the City of Bay City

STUDENT ACTIVITY AGENCY FUND

June 30, 2005

Trust and Agency Funds are used by the school district to account for assets held by the school district in a trustee or agent capacity. The sole Agency Fund is a custodial fund used to account for the transactions of student organizations and clubs.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**STUDENT ACTIVITY AGENCY FUND
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2005**

ACTIVITY ACCOUNTS	Due to School Organizations July 1, 2004	Cash Receipts	Cash Disbursements	Due to School Organizations June 30, 2005
Auburn Elementary	\$ 25,016	\$ 36,211	\$ 46,835	\$ 14,392
Hampton Elementary	13,474	107,574	102,779	18,269
Jefferson Elementary	6,529	26,863	27,999	5,393
Kolb Elementary	18,844	77,207	67,840	28,211
Linsday Elementary	3,048	46,733	38,566	11,215
MacGregor Elementary	26,045	92,711	100,983	17,773
Mackensen Elementary	19,208	128,608	125,263	22,553
McAlear-Sawden Elementary	38,543	107,144	104,692	40,995
McKinley Technology School	66	276	47	295
Riegel Elementary	5,478	34,413	37,604	2,287
Trombley	357	241	450	148
Washington Elementary	19,460	55,725	58,222	16,963
Webster Day Care	13,108	104,087	125,032	(7,837)
Whittier	2			2
Eastside Middle School	4,328	9,708	10,802	3,234
Handy Middle School	38,809	161,426	154,868	45,367
Western Middle School	38,409	109,337	104,792	42,954
Central High	160,621	361,056	374,926	146,751
Central Auto	18,437	33,483	31,795	20,125
Handy High	1,249			1,249
Western High	446,392	632,895	718,139	361,148
P.A.T.	2,998	15,313	13,948	4,363
Special Education	2,605			2,605
Coffee Shop	1,918	22,090	15,452	8,556
Volunteer Program	532			532
Maintenance Department	(4)	147	110	33
Student Insurance and Unclassified Accounts	12,152	7,272	7,023	12,401
Secondary Education	1,172			1,172
State & Federal Programs	965	3,354	3,037	1,282
Wenona Alternative	3,950	5,972	6,387	3,535
Forest Day Care	771	3,429	3,876	324
Artist in School	265			265
Community Education	8,014			8,014
Transportation	245	674	479	440
Science Services	11			11
Unallocated Interest Earned	(3,648)	28,070	9,813	14,609
Total Activity Accounts	<u>\$ 929,369</u>	<u>\$ 2,212,019</u>	<u>\$ 2,291,759</u>	<u>\$ 849,629</u>

School District of the City of Bay City

GENERAL FUND SUMMARIES

June 30, 2005

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**GENERAL FUND REVENUE BY SOURCE
Last Ten Fiscal Years
(UNAUDITED)**

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
REVENUE:				
Local Sources:				
Property taxes	\$ 9,421,745	\$ 8,956,356	\$ 8,763,192	\$ 7,982,256
Earnings on investments	93,934	47,919	131,671	162,437
Other	<u>3,278,156</u>	<u>4,001,577</u>	<u>3,818,911</u>	<u>4,068,886</u>
Total Local Sources	<u>12,793,835</u>	<u>13,005,852</u>	<u>12,713,774</u>	<u>12,213,579</u>
State Sources:				
State school aid - unrestricted	56,575,983	56,114,096	56,249,164	56,221,834
Restricted grants	<u>2,614,824</u>	<u>2,584,473</u>	<u>3,488,378</u>	<u>3,749,180</u>
Total State Sources	<u>59,190,807</u>	<u>58,698,569</u>	<u>59,737,542</u>	<u>59,971,014</u>
Federal Sources	<u>4,104,364</u>	<u>4,283,035</u>	<u>4,480,643</u>	<u>4,968,547</u>
Total Revenue	<u>\$ 76,089,006</u>	<u>\$ 75,987,456</u>	<u>\$ 76,931,959</u>	<u>\$ 77,153,140</u>

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ 7,429,927	\$ 7,451,721	\$ 7,107,578	\$ 6,419,590	\$ 6,439,333	\$ 6,143,333
405,004	332,604	311,385	223,825	309,863	385,708
<u>2,971,630</u>	<u>3,432,715</u>	<u>2,839,963</u>	<u>3,382,957</u>	<u>2,938,294</u>	<u>1,672,326</u>
<u>10,806,561</u>	<u>11,217,040</u>	<u>10,258,926</u>	<u>10,026,372</u>	<u>9,687,490</u>	<u>8,201,367</u>
52,449,579	51,329,803	49,103,684	49,262,052	45,147,432	42,392,859
<u>3,839,279</u>	<u>3,042,019</u>	<u>3,166,584</u>	<u>2,924,959</u>	<u>3,612,125</u>	<u>3,610,874</u>
<u>56,288,858</u>	<u>54,371,822</u>	<u>52,270,268</u>	<u>52,187,011</u>	<u>48,759,557</u>	<u>46,003,733</u>
<u>4,270,303</u>	<u>4,630,113</u>	<u>3,794,995</u>	<u>3,590,823</u>	<u>2,646,331</u>	<u>2,889,603</u>
<u>\$ 71,365,722</u>	<u>\$ 70,218,975</u>	<u>\$ 66,324,189</u>	<u>\$ 65,804,206</u>	<u>\$ 61,093,378</u>	<u>\$ 57,094,703</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY
GENERAL FUND EXPENDITURES BY FUNCTION
Last Ten Fiscal Years
(UNAUDITED)

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
EXPENDITURES				
Instruction:				
Basic programs	\$ 24,670,184	\$ 25,139,612	\$ 26,230,738	\$ 25,930,128
Added needs	6,470,176	5,621,455	6,900,354	7,220,769
Adult & continuing education	59,573	76,904	101,193	89,850
Employee benefits	<u>13,724,851</u>	<u>12,548,464</u>	<u>14,276,269</u>	<u>12,919,237</u>
Total instruction	<u>44,924,784</u>	<u>43,386,435</u>	<u>47,508,554</u>	<u>46,159,984</u>
Supporting Services:				
Pupil services	2,316,128	3,028,848	1,107,116	1,271,719
Instructional staff	1,642,620	1,958,793	2,354,892	2,173,692
General administration	619,646	567,805	879,264	869,361
School administration	3,431,424	3,550,417	3,915,596	3,988,081
Business services	6,868,872	7,114,182	10,508,735	8,964,363
Central services	4,411,358	4,350,659	2,216,863	2,099,063
Other services	219,613	242,833	775,904	906,621
Employee benefits	<u>9,453,409</u>	<u>8,418,678</u>	<u>5,680,012</u>	<u>5,412,887</u>
Total supporting services	<u>28,963,070</u>	<u>29,232,215</u>	<u>27,438,382</u>	<u>25,685,787</u>
Community Services	<u>453,462</u>	<u>287,053</u>	<u>138,813</u>	<u>262,561</u>
Capital Outlay				
Total expenditures	74,341,316	72,905,703	75,085,749	72,108,332
OTHER FINANCING USES	<u>3,176,732</u>	<u>3,359,526</u>	<u>3,423,602</u>	<u>3,181,398</u>
Total expenditures & other financing uses	<u>\$ 77,518,048</u>	<u>\$ 76,265,229</u>	<u>\$ 78,509,351</u>	<u>\$ 75,289,730</u>
Official student enrollment	9,849	9,820	9,846	9,893
Expenditures per student	\$ 7,871	\$ 7,766	\$ 7,974	\$ 7,610

Note: Student enrollment is the Fall FTE count for K-12, special education, alternative school (6-9), alternative high school, and adult education. The District also does a February head count. Beginning in 2001-2002, Capital Outlay expenditures have been reclassified to be included within each of the line item expenditures.

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ 25,142,063	\$ 25,549,889	\$ 24,458,308	\$ 24,642,318	\$ 22,819,297	\$ 20,838,693
6,901,271	6,593,382	5,861,821	5,694,950	4,387,204	4,293,058
93,257	92,117	349,051	345,601	515,798	621,261
<u>12,567,620</u>	<u>11,808,885</u>	<u>10,743,143</u>	<u>10,074,273</u>	<u>10,381,526</u>	<u>9,260,025</u>
<u>44,704,211</u>	<u>44,044,273</u>	<u>41,412,323</u>	<u>40,757,142</u>	<u>38,103,825</u>	<u>35,013,037</u>
1,246,530	1,142,172	1,141,951	1,038,410	1,731,540	1,481,873
2,306,341	1,840,771	2,242,723	2,056,121	1,877,677	1,907,608
1,322,978	1,031,765	445,841	229,394	273,402	316,990
4,041,470	4,127,178	3,813,538	3,883,704	3,366,612	2,887,012
9,634,841	9,328,598	8,813,352	8,793,381	9,440,889	8,976,605
1,540,148	1,485,819	1,625,262	1,493,853	1,102,861	963,659
788,012	665,510			54,331	31,941
<u>5,310,241</u>	<u>4,532,825</u>	<u>3,823,477</u>	<u>4,190,993</u>	<u>4,368,982</u>	<u>4,279,707</u>
<u>26,190,561</u>	<u>24,154,638</u>	<u>21,906,144</u>	<u>21,685,856</u>	<u>22,216,294</u>	<u>20,845,395</u>
284,583	267,894	164,282	190,939	278,946	194,265
<u>1,784,459</u>	<u>852,215</u>	<u>1,136,215</u>	<u>382,380</u>	<u>336,328</u>	<u>270,381</u>
72,963,814	69,319,020	64,618,964	63,016,317	60,935,393	56,323,078
<u>2,628,297</u>	<u>1,443,095</u>	<u>882,300</u>	<u>900,328</u>	<u>697,911</u>	<u>725,569</u>
<u>\$ 75,592,111</u>	<u>\$ 70,762,115</u>	<u>\$ 65,501,264</u>	<u>\$ 63,916,645</u>	<u>\$ 61,633,304</u>	<u>\$ 57,048,647</u>
10,016	10,274	10,595	10,700	10,685	10,420
\$ 7,547	\$ 6,887	\$ 6,182	\$ 5,974	\$ 5,768	\$ 5,475

School District of the City of Bay City

PROPERTY TAX SUMMARIES

June 30, 2005

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**PROPERTY TAX DATA
PROPERTY TAX RATES (MILLS)
Last Ten Fiscal Years
(UNAUDITED)**

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
GENERAL FUND:				
Property Tax Rates (mills):				
County of Bay:				
City of Auburn	18.0000	18.0000	18.0000	18.0000
City of Bay City	18.0000	18.0000	18.0000	18.0000
City of Midland	18.0000	18.0000	18.0000	18.0000
Beaver Township	18.0000	18.0000	18.0000	18.0000
Frankenlust Township	18.0000	18.0000	18.0000	18.0000
Hampton Township	18.0000	18.0000	18.0000	18.0000
Kawkawlin Township	18.0000	18.0000	18.0000	18.0000
Merritt Township	18.0000	18.0000	18.0000	18.0000
Monitor Township	18.0000	18.0000	18.0000	18.0000
Portsmouth Township	18.0000	18.0000	18.0000	18.0000
Williams Township	18.0000	18.0000	18.0000	18.0000
County of Saginaw:	18.0000	18.0000	18.0000	18.0000
Buena Vista Township	18.0000	18.0000	18.0000	18.0000
Kochville Township	18.0000	18.0000	18.0000	18.0000
Tittabawassee Township	18.0000	18.0000	18.0000	18.0000
Zilwaukee Township	18.0000	18.0000	18.0000	18.0000
DEBT SERVICE FUND:				
Property Tax Rates (mills):	1.1000	1.1000	1.2000	1.2000

NOTE: Zilwaukee Township annexed to the School District of the City of Bay City during the 1990-91 school year.

NOTE: The 18.0000 mills is levied for operating purposes against all property classified as non-homestead in compliance with school finance reform under the State Aid Act for the State of Michigan.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**PROPERTY TAX DATA
PROPERTY TAX LEVIES & COLLECTIONS
Last Ten Fiscal Years
(UNAUDITED)**

CURRENT PROPERTY TAXES RECEIVABLE

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
GENERAL FUND				
Levy	\$ 9,418,407	\$ 8,964,385	\$ 8,846,014	\$ 8,050,863
Less: Collections through June 30	9,287,426	8,932,967	8,816,824	7,975,436
Write-offs/Adjustments through June 30				
July 1 - Taxes Receivable	<u>\$ 130,981</u>	<u>\$ 31,418</u>	<u>\$ 29,190</u>	<u>\$ 75,427</u>
DEBT SERVICE FUND				
Levy	\$ 1,776,969	\$ 1,655,570	\$ 1,742,288	\$ 1,612,331
Less: Collections through June 30	1,768,658	1,653,937	1,740,519	1,610,630
Write-offs/Adjustments through June 30				
July 1 - Taxes Receivable	<u>\$ 8,311</u>	<u>\$ 1,633</u>	<u>\$ 1,769</u>	<u>\$ 1,701</u>

COLLECTIONS THROUGH MARCH 1 EACH YEAR

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
GENERAL FUND				
Levy	\$ 9,418,407	\$ 8,964,385	\$ 8,846,014	\$ 8,050,863
Collections through March 1	8,760,092	8,352,467	8,128,694	7,484,676
Percentage of Collections to Levy	93.0103%	93.1739%	91.8910%	92.9674%

COLLECTIONS THROUGH JUNE 30 EACH YEAR

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
GENERAL FUND				
Levy	\$ 9,418,407	\$ 8,964,385	\$ 8,846,014	\$ 8,050,863
Collections through June 30 (including prior years)	9,287,426	8,932,967	8,816,824	7,975,436
Percentage of Collections to Levy	98.6093%	99.6495%	99.6700%	99.0631%

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ 7,594,177	\$ 7,482,151	\$ 7,090,365	\$ 6,864,481	\$ 6,605,639	\$ 6,497,418
7,520,037	7,470,367	7,080,170	6,462,191	6,580,828	6,040,839
		10,195	402,290	24,811	456,579
<u>\$ 74,140</u>	<u>\$ 11,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\$ 1,857,004	\$ 1,834,976	\$ 1,813,768	\$ 1,616,522	\$ 1,637,246	\$ 1,595,521
1,852,680	1,834,976	1,807,361	1,614,796	1,636,162	1,595,468
	-	6,407	1,726	1,084	53
<u>\$ 4,324</u>	<u>\$ -</u>				

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ 7,594,177	\$ 7,482,151	\$ 7,090,365	\$ 6,864,481	\$ 6,605,639	\$ 6,497,418
7,166,780	7,086,819	6,484,997	5,923,664	6,165,629	5,658,624
94.3720%	94.7163%	91.4621%	86.2944%	93.3389%	87.0903%

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ 7,594,177	\$ 7,482,151	\$ 7,090,365	\$ 6,864,481	\$ 6,605,639	\$ 6,497,418
7,520,037	7,431,819	7,059,212	6,462,191	6,580,828	6,040,839
99.0237%	99.3273%	99.5606%	94.1395%	99.6244%	92.9729%

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**PROPERTY TAX DATA
PROPERTY VALUES
Last Ten Fiscal Years
(UNAUDITED)**

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Estimated actual value of taxable property	\$ 3,718,351,000	\$ 3,543,166,300	\$ 3,348,169,952	\$ 3,132,515,902
Taxable valuation of property assessed in the School District of the City of Bay City				
County of Bay:				
City of Auburn	\$ 46,536,555	\$ 43,835,440	\$ 41,962,117	\$ 40,095,936
City of Bay City	570,196,647	548,441,138	533,956,408	504,334,948
City of Midland	4,507,900	4,517,500	4,453,200	4,249,300
Beaver Township	58,254,109	54,730,602	51,768,673	48,298,940
Frankenlust Township	106,754,477	99,722,258	94,612,478	85,476,617
Hampton Township	98,504,745	94,228,274	92,536,983	88,734,263
Kawkawlin Township	96,131,127	91,883,194	88,132,615	83,144,280
Merritt Township	30,784,991	29,066,872	27,985,205	26,752,405
Monitor Township	302,646,064	283,061,040	266,892,502	245,395,998
Portsmouth Township	75,680,073	72,465,404	70,251,333	66,741,313
Williams Township	161,569,273	154,183,222	149,765,745	127,420,683
County of Saginaw:				
Buena Vista Township	4,095,256	3,945,254	3,872,994	3,760,811
Kochville Township	2,801,774	2,730,888	2,563,736	2,403,732
Tittabawassee Township	309,399	303,742	299,236	294,125
Zilwaukee Township	4,900,482	5,002,815	5,112,848	4,963,269
Total Taxable Valuation	\$ 1,563,672,872	\$ 1,488,117,643	\$ 1,434,166,073	\$ 1,332,066,620
State Equalized Valuation	\$ 1,859,175,500	\$ 1,771,583,150	\$ 1,674,084,976	\$ 1,566,257,951

NOTE: Zilwaukee Township annexed to the School District of the City of Bay City during the 1990-91 school year.

Information obtained from Bay and Saginaw County Equalization Departments Report 4410B.

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
<u>\$ 2,918,037,496</u>	<u>\$ 2,388,655,344</u>	<u>\$ 2,271,457,098</u>	<u>\$ 2,155,426,506</u>	<u>\$ 2,055,881,186</u>	<u>\$ 1,948,652,860</u>
\$ 37,628,060	\$ 34,641,644	\$ 32,035,020	\$ 30,506,501	\$ 28,517,575	\$ 27,066,542
484,068,562	465,056,743	449,211,768	424,772,212	406,038,808	374,138,400
4,138,600	4,026,900	4,226,200	5,870,600	5,734,700	5,444,800
44,928,575	43,207,912	40,628,845	38,830,475	37,103,883	35,249,529
78,502,100	72,572,020	69,484,658	64,196,696	60,533,173	58,263,506
81,460,907	76,386,379	73,272,078	69,936,207	67,508,578	65,924,774
77,185,719	73,681,077	70,932,763	66,595,809	63,535,339	61,156,875
25,490,962	24,866,395	24,286,992	23,445,632	22,478,951	22,099,286
223,872,122	215,961,736	198,710,003	189,406,694	179,685,153	172,270,949
63,127,227	61,455,598	58,840,888	55,874,058	53,372,887	51,421,552
117,147,180	111,845,270	103,991,195	98,647,843	93,930,520	92,339,787
3,651,278	3,768,519	3,485,508	3,373,453	3,334,200	3,248,463
2,264,692	2,152,575	2,085,586	1,886,899	1,746,920	1,653,500
280,378	269,242	273,658	264,745	246,733	240,006
4,450,179	4,435,662	4,263,387	4,105,429	4,173,173	3,808,461
<u>\$ 1,248,196,541</u>	<u>\$ 1,194,327,672</u>	<u>\$ 1,135,728,549</u>	<u>\$ 1,077,713,253</u>	<u>\$ 1,027,940,593</u>	<u>\$ 974,326,430</u>
\$ 1,459,018,748	\$ 1,359,702,668	\$ 1,264,776,593	\$ 1,177,298,341	\$ 1,092,783,886	\$ 1,024,994,140

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(UNAUDITED)**

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
School Operating & Debt	19.1000	19.1000	19.2000	19.2000
Bay-Arenac Intermediate School District	4.9458	4.9568	4.9594	4.9594
City of Auburn	16.0000	16.0000	16.0000	16.0000
City of Bay City	20.5505	21.2027	21.4000	21.4000
City of Midland	9.8700	12.9000	11.6700	12.0000
County of Bay	11.0326	10.9486	10.9486	10.9480
County of Saginaw	7.6343	7.2352	7.2022	7.2067
Delta College	2.5427	2.5427	2.5427	2.5427
Beaver Township	4.6520	4.6921	4.7720	3.8710
Buena Vista Township	8.8607	8.9618	8.9618	8.9618
Frankenlust Township	1.8206	1.8841	1.8272	1.8847
Hampton Township	5.6500	5.6500	5.5600	5.5500
Kawkawlin Township	2.1444	1.1545	1.1636	1.1717
Kochville Township	0.9766	1.0000	1.0000	1.0000
Merritt Township	5.0483	5.1426	5.1775	5.1922
Monitor Township	1.2426	1.2555	1.2621	1.2621
Portsmouth Township	2.1815	2.2344	2.2910	2.3731
Tittabawassee Township	4.0807	3.2101	4.1479	4.1769
Williams Township	4.4000	4.4000	4.4000	4.4000
Zilwaukee Township	4.9744	3.9808	4.9744	6.2436

NOTE: The 2004-05 property tax rate per \$1,000 of assessed value of 18.0000 for the School District of the City of Bay City is levied on all non-homestead property for general operation and 1.1000 mills is levied on all property for debt.

Zilwaukee Township annexed to the School District of the City of Bay City during the 1990-91 school year.

Information obtained from Bay & Saginaw County Equalization Departments.

<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
19.5000	19.5000	19.5000	19.5000	19.5000	19.5000
4.9594	4.9656	4.9656	4.9656	4.9656	4.9656
16.0000	14.0000	14.0000	14.0000	14.0000	13.0000
21.7500	23.8700	23.9600	23.9600	23.9600	23.9600
12.4800	12.1200	11.6000	11.6000	9.3000	9.3000
10.9478	9.9476	9.9499	9.6597	9.8022	9.7501
6.6380	6.6809	6.5637	6.5637	6.6198	6.5869
2.0427	2.0427	2.0427	2.0427	2.0427	2.0427
3.7516	3.8274	3.8606	3.8700	3.8800	3.6202
8.9465	8.9465	8.9465	8.9465	8.9465	8.9465
1.9359	1.9343	1.9573	1.9643	1.9643	1.9731
5.5500	5.5500	5.5000	5.2304	5.2840	5.3164
1.1791	1.1915	1.2010	1.2112	1.2185	1.2185
1.0000	1.0000	1.0000	1.0000	1.0000	1.3000
5.2032	4.2405	4.2435	4.0069	4.0090	4.0090
1.2653	1.6126	1.6763	1.6791	1.7291	1.8291
2.4672	2.5271	2.5973	2.6760	2.7520	2.8270
4.8124	4.2363	4.3080	3.3067	3.3163	3.3163
4.4000	4.4000	4.4000	4.4000	4.4000	4.4000
8.2436	8.2434	8.2436	8.2436	8.2065	3.9717

School District of the City of Bay City

DEBT INFORMATION

June 30, 2005

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
(UNAUDITED)**

<u>FISCAL YEAR</u>	<u>(A) POPULATION BAY COUNTY (ESTIMATED)</u>	<u>ASSESSED VALUATION (IN 1,000'S)</u>	<u>GROSS BONDED DEBT</u>	<u>DEBT SERVICE MONIES AVAILABLE</u>	<u>NET BONDED DEBT</u>	<u>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</u>	<u>NET BONDED DEBT PER CAPITA</u>
2004-05	109,480	\$1,563,673	\$15,190,009	\$ 555,769	\$14,634,240	0.94%	\$133.67
2003-04	109,532	\$1,488,117	\$12,297,640	\$478,838	\$11,818,802	0.79%	\$107.90
2002-03	109,733	\$1,434,166	\$15,328,754	\$513,962	\$14,814,792	1.03%	\$135.01
2001-02	109,725	\$1,332,066	\$16,789,755	\$545,963	\$16,243,792	1.22%	\$148.04
2000-01	110,157	\$1,248,196	\$19,443,159	\$525,478	\$18,917,681	1.52%	\$171.73
1999-00	109,514	\$1,194,328	\$16,365,000	\$387,134	\$15,977,866	1.34%	\$145.90
1998-99	110,400	\$1,135,728	\$11,610,000	\$305,302	\$11,304,698	1.00%	\$102.40
1997-98	111,000	\$1,077,713	\$12,750,000	\$199,641	\$12,550,359	1.16%	\$113.07
1996-97	111,400	\$1,027,941	\$13,275,000	\$445,318	\$12,829,682	1.25%	\$115.17
1995-96	111,400	\$974,326	\$13,390,000	\$262,030	\$13,127,970	1.35%	\$117.85

(A) U.S. Census Bureau & Northwest Michigan Council of Governments. The population estimate is for Bay County. The estimated population for the School District of the City of Bay City is 72,483. (This information was obtained from the 2004 S & P Evaluation Services Report.)

SCHOOL DISTRICT OF THE CITY OF BAY CITY

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2005

(UNAUDITED)

2004 State Equalized Value		\$ 1,859,175,500
Legal Debt Limit (\$1,771,583,150 x 15.7%)*		278,876,325
Debt Outstanding	13,385,000	
Less Bonds not subject to the Debt Limit*	<u>3,035,000</u>	
Total Subject to Debt Limit		<u>10,350,000</u>
Additional Debt Which Could Be Legally Incurred		<u><u>\$ 268,526,325</u></u>

*Section 1351(3) of Act 451, Public Acts of Michigan, 1976, as amended, provides that bonds not included in the computation of the legal debt margin are (1) any bond qualified under Article IX, Section 16, of the Michigan Constitution of 1963, and (2) deficit budget bonds authorized under Section 1356. In addition, Section 605 of Act 34, Public Acts of Michigan, 2001, as amended, provides, in relevant part, that debt evidenced by a refunding security shall not be deemed to be within any statutory or charter limitation of outstanding debt limit.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2005
(UNAUDITED)**

	DEBT OUTSTANDING	PERCENT APPLICABLE TO SCHOOL DISTRICT	AMOUNT APPLICABLE TO SCHOOL DISTRICT	DEBT PRINCIPAL PER CAPITA (POP 109,480)	PERCENT TAXABLE VALUE
DIRECT DEBT:					
Durant Limited Obligation Bonds	\$ 944,755	100.00%	\$ 944,755	9	0.063%
03/01/97 Football Stadium Bonds (GONQ)	145,000	100.00%	145,000	1	0.010%
12/01/97 1997 Refunding Bonds (UTQ)	3,035,000	100.00%	3,035,000	28	0.204%
06/01/00 2000 Building and Site Bonds (GONQ)	2,250,000	100.00%	2,250,000	21	0.151%
02/01/01 2001 Building and Site Bonds (GONQ)	2,025,000	100.00%	2,025,000	18	0.136%
08/20/02 Bus Loan	860,254	100.00%	860,254	8	0.058%
01/25/05 2005 School Improvement Bonds (GONQ)	5,930,000	100.00%	5,930,000	54	0.398%
General obligation bonds and note payable	<u>\$ 15,190,009</u>	100.00%	<u>\$ 15,190,009</u>	<u>139</u>	<u>1.021%</u>
OVERLAPPING DEBT (B):					
City of Auburn	600,024	100.00%	600,024	5	0.040%
City of Bay City	59,475,000	99.73%	59,314,418	542	3.986%
City of Midland	26,088,250	0.19%	49,568	0	0.003%
County of Bay	30,719,668	58.52%	17,977,149	164	1.208%
County of Saginaw	52,873,379	0.26%	137,471	1	0.009%
Beaver Township	700,000	96.84%	677,880	6	0.046%
Buena Vista Township	5,776,000	1.82%	105,123	1	0.007%
Frankenlust Township	4,675,139	95.76%	4,476,913	41	0.301%
Hampton Township	19,000	23.15%	4,398	0	0.000%
Kawkawlin Township	2,176,296	81.20%	1,767,152	16	0.119%
Kochville Township	675,904	1.77%	11,963	0	0.001%
Merritt Township	2,699,572	70.10%	1,892,400	17	0.127%
Monitor Township	2,213,263	100.00%	2,213,263	20	0.149%
Portsmouth Township	4,415,395	100.00%	4,415,395	40	0.297%
Tittabawassee Township	1,362,830	0.15%	2,044	0	0.000%
Williams Township	1,402,558	100.00%	1,402,558	13	0.094%
Zilwaukee Township	10,000	100.00%	10,000	0	0.001%
Bay-Arenac Intermediate School District	635,000	50.77%	322,390	3	0.022%
Delta College	0	14.62%	0	0	0.000%
Total overlapping debt	<u>196,517,278</u>		<u>95,380,109</u>	<u>869</u>	<u>6.409%</u>
Total Direct & Overlapping Debt	<u>\$ 211,707,287</u>		<u>\$ 110,570,118</u>	<u>1,008</u>	<u>7.430%</u>

Overlapping debt amounts provided by the Municipal Advisory Council of Michigan.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
TO TOTAL GENERAL FUND EXPENDITURES AND USES
Last Ten Fiscal Years
(UNAUDITED)**

FISCAL YEAR	TOTAL EXPENDITURES AND USES			GENERAL FUND	RATIO DEBT SERVICE TO GENERAL FUND EXPENDITURES AND USES
	DEBT SERVICE FUNDS				
	PRINCIPAL	INTEREST	TOTAL		
2004-05	\$ 2,677,631	\$ 536,121	\$ 3,213,752	\$ 77,518,048	4.1%
2003-04	\$ 3,031,114	\$ 648,035	\$ 3,679,149	\$ 76,265,229	4.8%
2002-03	\$ 2,710,000	\$ 728,594	\$ 3,438,594	\$ 78,509,351	4.4%
2001-02	\$ 2,653,404	\$ 950,919	\$ 3,604,323	\$ 75,289,730	4.8%
2000-01	\$ 2,127,395	\$ 843,192	\$ 2,970,587	\$ 75,592,111	3.9%
1999-00	\$ 1,366,663	\$ 629,126	\$ 1,995,789	\$ 70,762,118	2.8%
1998-99	\$ 1,291,581	\$ 656,752	\$ 1,948,333	\$ 65,501,264	3.0%
1997-98	\$ 1,360,000	\$ 693,259	\$ 2,053,259	\$ 63,916,645	3.2%
1996-97	\$ 695,000	\$ 815,448	\$ 1,510,448	\$ 61,633,304	2.5%
1995-96	\$ 610,000	\$ 847,778	\$ 1,457,778	\$ 57,048,647	2.6%

School District of the City of Bay City

GENERAL INFORMATION

June 30, 2005

SCHOOL DISTRICT OF THE CITY OF BAY CITY
DEMOGRAPHIC STATISTICS - COUNTY OF BAY
Last Ten Years
(UNAUDITED)

YEAR	(A) NUMBER OF HOUSEHOLDS	(B) POPULATION	(A) EFFECTIVE BUYING INCOME	(C) PER CAPITA INCOME
2004	44,000	109,480	\$ 1,842,300,000	\$ 16,828
2003	44,500	109,532	\$ 1,884,368,000	\$ 17,204
2002	44,100	109,733	\$ 1,876,531,000	\$ 17,101
2001	42,400	109,725	\$ 1,814,047,000	\$ 16,533
2000	42,200	110,157	\$ 1,744,686,000	\$ 15,838
1999	42,400	109,514	\$ 1,659,252,000	\$ 15,151
1998	42,500	110,400	\$ 1,649,450,000	\$ 14,941
1997	42,600	111,000	\$ 1,567,777,000	\$ 14,124
1996	42,600	111,400	\$ 1,567,777,000	\$ 14,073
1995	42,500	111,400	\$ 1,724,723,000	\$ 15,482

(A) Survey of Buying Power: Sales & Marketing Management (SMM), New York, NY. These totals are for the entire Bay County area.

(B) Population from the U.S. Census Bureau, Northwest Michigan Council of Governments and Survey of Buying Power.

(C) Per capita income is SMM's effective buying income divided by the population.

(D) Annual average unemployment rates (not seasonally adjusted) from the Michigan Department of Labor & Economic Growth and Office of Labor Market Information.

(A) % OF POPULATION BY AGE GROUP *				(D) UNEMPLOYMENT RATE
18-24	25-34	35-48	50 +	
9.0%	11.3%	22.9%	33.3%	7.6%
8.9%	11.3%	22.8%	33.3%	7.5%
8.9%	12.0%	23.0%	30.2%	6.6%
8.0%	12.8%	23.6%	29.9%	5.3%
8.0%	12.8%	23.7%	29.4%	4.1%
7.8%	13.8%	23.9%	28.5%	4.3%
7.9%	13.9%	23.7%	28.1%	4.5%
				4.6%
				5.0%
				6.2%

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**PROPERTY VALUE AND CONSTRUCTION TRENDS - COUNTY OF BAY
Last Ten Fiscal Years
(UNAUDITED)**

FISCAL YEAR	(A) REAL	(A) PERSONAL	(B) ANNUAL CONSTRUCTION RESIDENTIAL	
			NUMBER OF UNITS	VALUE
2004	\$ 1,402,996,333	\$ 160,676,539	308	\$ 34,414,810
2003	\$ 1,330,767,178	\$ 157,350,465	390	\$ 58,556,955
2002	\$ 1,277,642,269	\$ 156,523,804	250	\$ 37,732,055
2001	\$ 1,168,177,127	\$ 163,889,493	262	\$ 39,858,382
2000	\$ 1,088,410,498	\$ 159,786,043	186	\$ 28,066,263
1999	\$ 1,046,915,404	\$ 147,412,268	381	\$ 39,983,629
1998	\$ 993,999,449	\$ 141,729,100	255	\$ 26,347,352
1997	\$ 940,449,003	\$ 137,264,250	132	\$ 26,347,352
1996	\$ 894,758,000	\$ 133,182,593	207	\$ 24,025,385
1995	\$ 869,228,997	\$ 105,097,433	488	\$ 41,606,066

(A) Taxable Valuation for the School District of the City of Bay City obtained from the Bay County Equalization Department.

(B) Annual residential construction for the municipal units in Bay County that are part of the School District. Census Bureau no longer provides non-residential annual construction values.

NOTE: Annual construction units and values were obtained from the Bay County Equalization Department, in conjunction with the United States Census Bureau.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**TAXABLE VALUATION DATA
Property Tax Roll at January 1, 2004
(UNAUDITED)**

2004 TAXABLE VALUE BY USE:

	TAXABLE VALUE	% OF TOTAL TAXABLE VALUE
Agricultural	\$ 110,686,241	7.08%
Commercial	206,519,307	13.21%
Developmental	753,899	0.05%
Industrial	67,314,369	4.30%
Personal	160,676,539	10.28%
Residential	1,017,990,233	65.10%
Less TIF Captured Values	(267,716)	-0.02%
TOTAL	\$ 1,563,672,872	100.00%

LARGEST TAXPAYERS:

Name of Taxpayer	Product/Service	2004 Valuations		
		Taxable	IFT	Total
General Motors Corporation	transmission components	\$ 37,097,000	\$ 56,640,500	\$ 93,737,500
Dow Corning Corporation	headquarters & research	41,351,392	4,813,200	46,164,592
Monitor Sugar Company (1)	processed sugar	13,400,331	14,025,100	27,425,431
Electric Transmission (2)	utility	27,361,503	-	27,361,503
S.C. Johnson & Sons	plastic bags	1,918,000	12,450,337	14,368,337
Goodwill Co. Inc.	Meijer's retail store	10,288,915	-	10,288,915
Euclid Industries	machine shop	1,247,622	5,785,709	7,033,331
Danaher Corp/Thomson Bay	auto parts	2,319,900	2,470,400	4,790,300
Anirjot/Bay Valley	resort	3,291,133	-	3,291,133
Charter Communications	cable & internet	3,265,800	-	3,265,800
TOTALS		\$ 141,541,596	\$ 96,185,246	\$ 237,726,842

% of 2004 Taxable Value (\$1,563,672,872) 9.05%

NOTE: Data derived from Bay County Equalization Department.

(1) Has filed tax appeals on its real and personal property.

(2) Has filed personal property tax appeals.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**SUMMARY OF PROPERTY, BUILDINGS, EQUIPMENT AND VEHICLES
June 30, 2005
(UNAUDITED)**

PROPERTY NAME	LAND	LAND IMPROVEMENTS	BUILDINGS	MACHINERY & EQUIPMENT
Auburn Elementary	\$ 31,571	\$ 99,300	\$ 4,426,152	\$ 93,825
Forest Day Care	10,557	32,100	282,245	63,002
Hampton Elementary	21,595	30,300	6,146,594	286,659
Jefferson Elementary	30,304	38,000	355,309	35,321
Kolb Elementary	123,163	189,100	1,012,500	320,232
Lindsay Elementary	45,985	59,100	1,071,383	213,886
MacGregor Elementary	109,488	55,700	1,027,186	266,607
Mackensen Elementary	16,945	79,700	607,200	191,675
McAlear-Sawden Elementary	14,128	92,500	1,002,330	545,831
McKinley Center	17,298	377,100	351,982	167,216
Riegel Elementary	17,554	48,000	679,602	99,847
Washington Elementary	36,604	34,900	1,409,558	331,516
Webster Elementary (Partially Leased)	2,022	47,500	264,317	4,800
Wenona Alternative	12,082	16,500	453,616	146,724
Eastside Middle School	17,356	77,800	646,232	208,542
Handy Middle School	96,080	330,500	2,627,029	583,170
Central High School	102,375	1,694,534	3,486,334	949,984
Western High & Middle School	88,554	708,500	7,979,951	1,103,448
Baxman (Maintenance)	4,113	43,900	234,643	135,884
Dorland (Administration)	7,117	43,100	566,035	661,247
Transportation	33,758	-	169,900	32,533
Trombley (Partially Leased)	8,071	44,100	424,105	5,642
Warehouse	6,350	10,300	468,799	26,650
Dell Lease Computers - All Properties	-	-	-	1,261,272
TOTAL	\$ 853,070	\$ 4,152,534	\$ 35,693,002	\$ 7,735,513

PROPERTY ACCOUNTING SUMMARY

	ORIGINAL COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE June 30, 2005
Land	\$ 853,070	\$ -	\$ 853,070
Land Improvements	4,152,534	2,269,496	1,883,038
Buildings	35,693,002	14,246,689	21,446,313
Machinery & Equipment	7,735,513	6,625,509	1,110,004
Vehicles	527,449	450,627	76,822
Buses	4,029,802	2,737,825	1,291,977
TOTAL	\$ 52,991,370	\$ 26,330,146	\$ 26,661,224

		June 30, 2005	
VEHICLES	BUSES	ACCUMULATED DEPRECIATION	NET BOOK VALUE
\$ -	\$ -	\$ 762,870	\$ 3,887,978
-	-	260,272	127,632
-	-	1,125,148	5,360,000
-	-	276,690	182,244
-	-	1,085,897	559,098
-	-	790,779	599,575
-	-	892,117	566,864
-	-	676,491	219,029
-	-	1,172,286	482,503
-	-	587,018	326,578
-	-	496,271	348,732
-	-	1,254,298	558,280
-	-	185,012	133,627
-	-	399,056	229,866
-	-	512,695	437,235
-	-	1,996,143	1,640,636
-	-	3,008,110	3,225,117
-	-	5,304,251	4,576,202
341,603	-	511,261	248,882
-	-	967,087	310,412
-	4,029,802	2,912,504	1,353,489
-	-	281,592	200,326
185,846	-	399,320	298,625
-	-	472,978	788,294
<u>\$ 527,449</u>	<u>\$ 4,029,802</u>	<u>\$ 26,330,146</u>	<u>\$ 26,661,224</u>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

SUMMARY OF OWNED BUILDINGS AND SITES

June 30, 2005

(UNAUDITED)

<u>BUILDING AND SITES</u>	<u>YEAR BUILT</u>	<u>STORIES</u>	<u>TYPE</u>	<u>SQUARE FOOTAGE</u>	<u>ACREAGE</u>	<u>NUMBER OF CLASSROOMS</u>
INSTRUCTIONAL:						
Elementary (K-5):						
Auburn	1956	1	Brick	30,498	5.59	15
Forest (Day Care & Kindergarten)*	1956	1	Brick	12,600	30.00	2
Hampton	1950	1	Brick	32,000	41.00	18
Jefferson	1959	1	Brick	17,200	2.28	8
Kolb	1956	1	Brick	58,000	20.03	25
Lindsay	1951	1	Brick	41,310	8.10	19
MacGregor	1951	1	Brick	54,683	19.13	26
Mackensen	1955	1	Brick	37,210	6.08	13
McAlear-Sawden	1960	1	Brick	48,480	15.00	26
Riegel	1970	1	Brick	26,400	1.98	13
Trombley (PPI-special education)**	1952	1	Brick	20,600	1.38	1
Washington	1960	2	Brick	77,378	5.45	28
Middle School:						
Eastside Middle School	1967	1	Brick	24,700	4.80	14
Handy Middle School	1923	3	Brick	190,074	18.65	72
High School:						
Central High School	1922	3	Brick	221,293	21.59	77
Western High School & Western Middle School	1973	2	Brick	246,034	53.95	82
Wenona Alternative Education	1962	1	Brick	20,216	1.76	11
Total Instructional				<u>1,158,676</u>	<u>256.77</u>	<u>450</u>

*Forest student count is kindergarten and young fives only. Forest day care enrollment is not included.

**Trombley also is partially leased for utilization to a private organization.

NON-INSTRUCTIONAL:

Baxman (Maintenance)	1950	1	Brick	16,538	3.00	
Dorland (Administration)	1951	2	Brick	30,975	1.66	
McKinley Center (Technology & Special Education)	1963	1	Brick	20,210	2.51	
Transportation	1970	2	Brick	8,500	21.00	
Warehouse	1970	1	Brick	22,500	1.50	

OTHER:

Webster (Partially Leased)	1964	1	Brick	10,250	2.00	
Total Non-Instructional & Other				<u>108,973</u>	<u>31.67</u>	

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**SCHEDULE OF INSURANCE CARRIERS & LIMITS as of July 1, 2004
Year End June 30, 2005
(UNAUDITED)**

Insurer	Coverage Summary & Limits
<p>Middle Cities Risk Management Trust Policy # MCRMT 070104 Note: The Trust's pool retention is: \$500,000 property \$600,000 liability</p>	<p>All property coverages: \$1,250,000 \$1,000 member deductible Property coverage extends to flood, earthquake, inland marine, valuable papers, EDP equipment, EDP media, EDP extra expense, fine arts, pollution clean-up and fleet coverage.</p> <p>General Liability - \$1,000,000 General Liability coverage includes law enforcement, professional medical malpractice, students in practicum, non-employment related discrimination and mental injury.</p> <p>Auto Liability: \$1,000,000</p> <p>Buses - Three (3) years or newer: Physical Damage at Replacement Cost Buses older than three (3) years and all other motor vehicles: Physical Damage at Actual Cash Value</p> <p>Crime Coverage Money & Securities (inside & out) - \$500,000 Commercial Blanket Bond - \$500,000 Depositors Forgery - \$500,000 Faithful Performance Fidelity - \$500,000</p> <p>Excess Employee Benefits Liability (claims made) - \$1,000,000</p>
<p>Princeton Excess and Surplus Lines Insurance Company Policy # REAEUM000000500 UMBRELLA LIABILITY</p>	<p>\$5,000,000 excess \$1,000,000 underlying coverage - Umbrella Liability and Automobile Liability</p> <p>Sexual misconduct - \$2,000,000</p> <p><u>Exceptions:</u> asbestos, ERISA, AIDS, airport, trampoline, ski facilities, Professional Medical Malpractice and absolute pollution, terrorism. <i>Note: School Board Legal Liability sub limit of \$4,000,000 excess \$1,000,000 (National Union Fire Insurance Co. primary policy).</i></p>
<p>Allianz Insurance Co. Excess Property Insurance Policy # CLP3004814</p> <p>Royal Indemnity Ins. Co. Policy #: RHD335963 Difference in Conditions (Flood Insurance for Flood Zone A) Policy # RHD315563 (Flood Coverage: \$7,500,000 x \$1,250,000)</p>	<p>\$600,000,000 excess of \$1,250,000 underlying coverage</p> <p><u>Exceptions:</u> Earthquake - \$50,000,000 excess of \$1,250,000 underlying coverage; Demolition - \$5,000,000 excess of \$1,250,000 underlying coverage; Valuable papers - \$1,000,000 excess of \$1,250,000 underlying coverage; Builder's risk - \$15,000,000 excess of \$1,250,000 underlying coverage; Fine arts - \$31,000,000 excess of \$1,250,000 underlying coverage</p>
<p>Hartford Steam Boiler Insurance Company Policy # FBP044910289</p>	<p>Boiler & Machinery - \$50,000,000 \$1,000 member deductible</p>
<p>National Union Fire Insurance Company Policy # Not Yet Assigned. (coverage through Arthur J. Gallagher & Co.)</p>	<p>School Board Errors & Omissions - \$1,000,000 minimum coverage with varying deductibles and limits for each district.</p>

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**SICK LEAVE DATA
June 30, 2005
(UNAUDITED)**

GROUP	MAXIMUM DAYS ADVANCED PER YEAR	MAXIMUM DAYS PAID	AMOUNT PAID PER ELIGIBLE DAY ACCUMULATED	PAYOUT PROVISIONS
Principals	16	Unlimited	N/A	N/A
Bus Drivers	12	96	Daily rate x number of eligible days	Age 50 or older (or death) and 10 or more years of service with District paid for each day accumulated up to a maximum of \$3,500.
Teachers	14	Unlimited	Daily rate Step 1 AB Salary Schedule for first 96 days. 1/2 daily rate for remaining days	Age 55 or older or after 15 years of service with District paid for each accumulated day
Custodians	16	Unlimited	Daily rate x number of eligible days	Retirement provisions under MPSERS paid for each day accumulated up to maximum of \$4,000.
Food Service	1 day earned for each 15 days worked	Unlimited	Daily rate x number of eligible days up to 96 days; 1/2 daily rate for the remainder	Retirement provisions under MPSERS and age 50 or older and 10 years or more with District paid up to a maximum of 96 days.
Mechanics	14 if hired prior to July 1, 1990 - 12 if hired after 1990	Unlimited	Hired before 10-11-01: Daily rate x number of eligible days up to 96 days; 1/2 daily rate for remainder; If hired after 10-11-01 \$70.00 per day	After 10 years and retirement provisions under MPSERS paid for each day accumulated up to a maximum of \$30,000. If hired after 10-11-01 maximum of \$20,000.
Educational Support Staff	12	Unlimited	Daily rate x number of eligible days; 1/2 daily rate for the remainder	After 10 years and retirement provisions under MPSERS
Central Office Administrators	14	Unlimited	Daily rate step 1AB salary schedule for 1st 138 days; 1/2 daily for the remainder	After 3 years of service
Supervisors	12	Unlimited	Base daily rate x balance to 96 days @100% 1/2 daily rate over 96 days	After 15 years and retirement provisions under MPSERS to maximum of \$4,500

SCHOOL DISTRICT OF THE CITY OF BAY CITY

INVESTMENT POLICY AND DATA (Revised July 11, 2005) (UNAUDITED)

Section 1. PURPOSE:

The purpose of this Policy is to set forth the investment objectives and parameters for the management of public funds of the School District of the City of Bay City. This investment policy is designed to safeguard funds on behalf of the District, to assure the availability of operating and capital funds when needed, and provide an investment return competitive with comparable funds and financial market indices.

Section 2. SCOPE:

In accordance with The Revised School Code of Michigan, Act 451 380.622, 380.1221 and 380.1223, this investment policy applies to all cash and investments held or controlled by the Board on behalf of the District. This policy does not apply to funds related to the issuance of debt where there are other indentures in effect for such funds. Additionally, any future revenues, which have statutory investment requirements conflicting with this Investment Policy and funds held or controlled by Federal or State agencies (e.g., Department of Revenue), are not subject to the provisions of this policy.

Section 3. INVESTMENT OBJECTIVES:

The primary objectives, in priority order, of investment activities shall be safety, liquidity and yield.

A. Safety of Principal

The foremost objective of this investment program is the safety of the principal of funds. Investment transactions shall be undertaken in a manner to ensure the preservation of capital in the overall portfolio. The objective will be to minimize credit risk and interest rate risk.

i. Credit Risk (Custodial Credit Risk and Concentration Credit Risk)

The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 9 of this Investment Policy; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with Section 7 of this Investment Policy.

The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

ii. Investment Rate Risk

The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

iii. Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

B. Maintenance of Liquidity

The funds shall be managed such that they are available to meet reasonably anticipated cash flow requirements.

C. Yield/Return on Investment

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. It is understood that return on investment is of secondary importance when compared to the safety and liquidity objectives described above.

Section 4. MANAGEMENT OF INVESTMENTS:

The Board shall establish as its Investment Officer, the Director of Finance and Accounting to oversee the day-to-day management of District investments. The Investment Officer shall be responsible for the transferring of appropriate funds to affect investment transactions, for the investment of operating funds, operating reserves funds, and bond proceeds, consistent with this policy and actions of the Board. Should the Board elect to select an outside investment advisor, such advisor or firm must be registered under the Investment Advisor's Act of 1940.

Section 5. STANDARDS OF PRUDENCE:

The standard of prudence to be used by the Investment Officer shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. The Prudent Person standard states:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

Section 6. ETHICS AND CONFLICTS OF INTEREST:

The Investment Officer shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair one's ability to make impartial investment decisions. Also, the Investment Officer shall disclose to the Board any material financial interests in Qualified Institutions that conduct business with the Board or the District, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the District's investment program.

Section 7. AUTHORIZED INVESTMENT INSTITUTIONS AND DEALERS:

Only firms meeting one of the following requirements shall be eligible to serve as Authorized Institutions:

- A. The firm must comply with all of the following requirements.
 - i. Primary and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule);
 - ii. Capital of no less than \$10,000,000;
 - iii. Registered as a dealer under the Securities Exchange Act of 1934;
 - iv. A member of the National Association of Securities Dealers (NASD);
 - v. Registered to sell securities in Michigan; and
 - vi. The firm and assigned broker have been engaged in the business of effecting transactions in U.S. government and agency obligations for at least five (5) consecutive years; or,

- B. Public Depositories qualified in accordance with MCL 380.1221, The Revised School Code of Michigan.

All brokers, dealers and other financial institutions deemed to be Authorized Institutions shall be provided with current copies of this investment policy and shall provide in return to the Board, certification of having read, understood and agreement to comply with this investment policy.

Section 8. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS:

The Investment Officer shall obtain bids from at least two (2) brokers or financial institutions on all purchases of investment instruments on the secondary market. Overnight sweep investment instruments shall not be subject to this section.

Section 9. AUTHORIZED INVESTMENTS AND PORTFOLIO COMPOSITION:

Investments and Depositories are restricted to those complying with MCL 380.622, 380.1221 and 380.1223. These include:

- A. United States Government Securities.
- B. United States Government Agencies.
- C. Federal Instrumentalities (United States Government-Sponsored Enterprises).
- D. Certificates of Deposit.
- E. Repurchase Agreements.
- F. Commercial Paper.
- G. Bankers' Acceptances.
- H. Registered Investment Companies (Money Market Mutual Funds).
- I. Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by an intermediate school district.

Section 10. POLICY CONSIDERATIONS:

A. Any investment held at the time of the implementation of this policy that meets the requirements of MCL 380.622, 380.1221, and 380.1223 but does not meet the guidelines of this policy, shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

B. Amendments.

This policy shall be reviewed from time to time. The District Board of Education must adopt any changes to this policy.

The data presented below measures earnings against funds available for investment in the General Fund for the year ended June 30, 2005.

Average available cash (computed from actual monthly cash balances)	\$ 5,248,627
General Fund interest income	\$ 93,934
Rate of return	1.79%

SCHOOL DISTRICT OF THE CITY OF BAY CITY

SCHEDULE OF INVESTMENTS

June 30, 2005

(UNAUDITED)

INVESTMENT TYPE:	<u>DATE OF PURCHASE</u>	<u>DATE OF MATURITY</u>	<u>RATE OF INTEREST</u>	(A) <u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
General Fund:					
Deposits - National City			2.58%	\$ 3,683,160	\$ 3,683,160
Deposits - Chemical Bank			2.58%	168,395	168,395
Total General Fund				<u>3,851,555</u>	<u>3,851,555</u>
Trust and Agency Funds:					
Deposits - National City			2.58%	396,085	396,085
Deposits - LaSalle Bank (formerly Standard Federal)			1.79%	497,076	497,076
Total Trust and Agency Funds				<u>893,161</u>	<u>893,161</u>
Debt Service Fund:					
Deposits - Citizens Bank			1.23%	555,769	555,769
Total Debt Service Fund				<u>555,769</u>	<u>555,769</u>
Building and Site Fund:					
Deposits - Independent Bank					
Performance Bond Project			2.08%	1,409,752	1,409,752
Total Building and Site Fund				<u>1,409,752</u>	<u>1,409,752</u>
Total All Funds				<u>\$ 6,710,237</u>	<u>\$ 6,710,237</u>

(A) Carrying amount equals cost, or cost plus portion of discount earned as of June 30, 2005.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**ENROLLMENT STATISTICS (FTE)
Last Ten Fiscal Years
(UNAUDITED)**

<u>FISCAL YEAR</u>	<u>K-12</u>	<u>SPECIAL EDUCATION</u>	<u>(A) ADULT EDUCATION</u>	<u>TOTAL</u>	<u>(B) TEACHING STAFF</u>	<u>RATIO PUPILS TO TEACHING STAFF</u>
2004-05	9,460	389		9,849	488	20.18
2003-04	9,450	370		9,820	523	18.78
2002-03	9,486	347		9,833	583	16.89
2001-02	9,561	322		9,883	538	18.39
2000-01	9,697	321		10,018	549	18.24
1999-00	9,942	331		10,273	534	19.23
1998-99	10,234	361	126	10,721	524	20.46
1997-98	10,202	363	118	10,683	517	20.66
1996-97	10,242	272	78	10,592	522	20.29
1995-96	9,939	275	175	10,389	520	19.98

(A) The District did not operate an adult education program from 1982-83 to 1984-85 and discontinued the program again in 1999-00.

(B) Includes all BCEA teaching members for all but adult education programs.

NOTE: Student enrollment is the Fall FTE count for K-12, special education, alternative school (6-9), alternative high school, and adult education. The District also does a February head count.

SCHOOL DISTRICT OF THE CITY OF BAY CITY
TEACHING AND ADMINISTRATIVE STAFF - LABOR RELATIONS
June 30, 2005
(UNAUDITED)

<u>CLASS</u>	<u>NO.</u>	<u>AFFILIATION</u>	<u>CONTRACT EXPIRATION</u>
PRINCIPALS/DIRECTORS	29	BAY CITY ASSOCIATION OF SCHOOL ADMINISTRATORS	August 31, 2006
TEACHERS	507	BAY CITY EDUCATION ASSOCIATION	June 30, 2006
OFFICE SUPPORT	138	BAY CITY EDUCATIONAL SUPPORT PERSONNEL REGION 12A	June 30, 2006
BUS MECHANICS	7	TEAMSTERS LOCAL 486	June 30, 2006
FOOD SERVICE	53	FOOD SERVICE ASSOCIATION	June 30, 2006
CUSTODIAL	79	MAINTENANCE PERSONNEL-REGION 12A	June 30, 2006
CENTRAL OFFICE	11	NON-AFFILIATED	See note below*
SUPERVISORS	5	SUPERVISORS UNION	June 30, 2006
BUS DRIVERS	92	UNITED STEEL WORKERS OF AMERICA-LOCAL 7380/AFL-CIO	August 29, 2006
HALL MONITORS	16	SEIU HALL MONITORS	June 30, 2006
	<u>937</u>		

The School District has not experienced a strike by any of its bargaining units in the past ten years.

*Administrators each have individual contract expiration dates.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**RETIREMENT PLAN
June 30, 2005
(UNAUDITED)**

For the period from October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPSERS") which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. A history of the School District's contributions to MPSERS are shown below. The School District does not have an unfunded accrued liability under MPSERS.

FISCAL YEAR ENDING JUNE 30

CONTRIBUTIONS TO MPSERS

2005	\$6,764,026
2004	\$6,009,689
2003	\$6,030,157
2002	\$5,664,113
2001	\$5,661,891
2000	\$5,355,766

CONTRIBUTION PERIOD

CONTRIBUTION RATE

October 1, 2004 - September 30, 2005	14.87%
October 1, 2003 - September 30, 2004	12.99%
October 1, 2002 - September 30, 2003	12.99%
October 1, 2001 - September 30, 2002	12.17%
October 1, 2000 - September 30, 2001	12.16%
October 1, 1999 - September 30, 2000	11.66%

SCHOOL DISTRICT OF THE CITY OF BAY CITY

**STATE AID PAYMENTS
June 30, 2005
(UNAUDITED)**

The School District's primary source of funding for operating costs is the State aid foundation allowance per pupil. In addition the State also provides categorical grant funding for programs such as At-Risk and Bilingual. The foundation allowance may be adjusted by an index based upon the change in revenues to the State school aid fund and the change in the total number of pupils statewide.

The following table shows a history of the School District's Blended Pupil Count, State Amount Received per Pupil, Foundation Allowance per Pupil (consisting of state aid payments and non-homestead property tax receipts) and total State Aid Payments including categoricals:

<u>YEAR</u>	<u>BLENDED PUPIL COUNT</u>	<u>STATE AMOUNT RECEIVED PER PUPIL</u>	<u>FOUNDATION ALLOWANCE PER PUPIL</u>	<u>TOTAL STATE AID PAYMENTS AND CATEGORICALS</u>
2004-05	9,849	\$ 5,705	\$ 6,700	\$ 59,556,946
2003-04	9,820	\$ 5,750	\$ 6,616 *	\$ 58,715,030
2002-03	9,833	\$ 5,793	\$ 6,621 *	\$ 59,737,542
2001-02	9,893	\$ 5,657	\$ 6,500	\$ 59,971,014
2000-01	10,018	\$ 5,242	\$ 6,000	\$ 56,288,858
1999-00	10,273	\$ 4,949	\$ 5,696	\$ 54,308,430
1998-99	10,465	\$ 4,579	\$ 5,276	\$ 52,446,523
1997-98	10,555	\$ 4,625	\$ 5,276	\$ 51,937,931
1996-97	10,383	\$ 4,373	\$ 4,997	\$ 48,340,633
1995-96	10,255	\$ 4,122	\$ 4,715	\$ 44,755,765

* The State began the year providing a Foundation Allowance per pupil of \$6,700. Due to budget reductions, the Foundation Allowance per Pupil was reduced as shown in the table above.

SCHOOL DISTRICT OF THE CITY OF BAY CITY

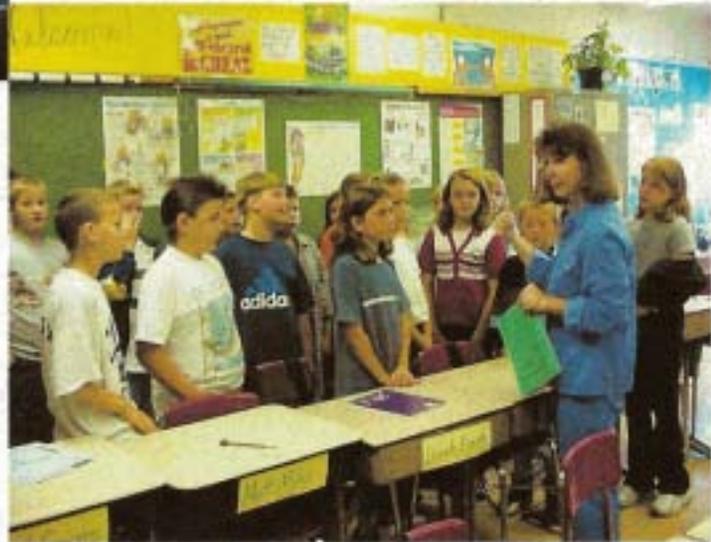
**TAXABLE VALUE BY MUNICIPAL UNIT
June 30, 2005
(UNAUDITED)**

<u>NAME OF UNIT</u>	<u>HOMESTEAD</u>	<u>NON-HOMESTEAD</u>	<u>LESS TIF CAPTURED VALUE</u>	<u>TOTAL TAXABLE VALUATION LESS TIF CAPTURED</u>	<u>% OF TOTAL VALUE</u>
<i>Bay County</i>					
City of Auburn	\$ 30,959,768	\$ 15,576,787		\$ 46,536,555	2.98%
City of Bay City	319,804,785	250,659,578	\$ (267,716)	570,196,647	36.47%
City of Midland	50,400	4,457,500		4,507,900	0.30%
Beaver Township	53,623,635	4,630,474		58,254,109	3.73%
Frankenlust Township	80,872,116	25,882,361		106,754,477	6.83%
Hampton Township	57,053,799	41,450,946		98,504,745	6.30%
Kawkawlin Township	76,494,785	19,636,342		96,131,127	6.15%
Merritt Township	26,589,734	4,195,257		30,784,991	1.97%
Monitor Township	219,975,778	82,670,286		302,646,064	19.35%
Portsmouth Township	64,093,890	11,586,183		75,680,073	4.84%
Williams Township	94,974,449	66,594,824		161,569,273	10.33%
<i>Saginaw County</i>					
Buena Vista Township	3,716,588	378,668		4,095,256	0.26%
Kochville Township	2,160,342	641,432		2,801,774	0.18%
Tittabawassee Township	301,379	8,020		309,399	0.02%
Zilwaukee Township	2,441,814	2,458,668		4,900,482	0.31%
Totals	<u>\$ 1,033,113,262</u>	<u>\$ 530,827,326</u>	<u>\$ (267,716)</u>	<u>\$ 1,563,672,872</u>	<u>100.00%</u>

Information provided by the School District and County Equalization Departments.



Bay City Public Schools



Lighting the Way...